

**City of Kodiak Regular Council Meeting Agenda for April 26, 2012**  
**7:30 p.m., at 710 Mill Bay Road, Assembly Chambers (Room 232)**

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<b>I. Call to Order/Roll Call</b>	
Pledge of Allegiance/Invocation	
<b>II. Previous Minutes</b>	
Approval of Minutes of the April 12, 2012, Regular Council Meeting.....	1
<b>III. Persons to Be Heard</b>	
a. Proclamation: Municipal Clerks Week .....	8
b. Public Comments (limited to 3 minutes) (486-3231)	
<b>IV. Unfinished Business</b>	
a. Second Reading and Public Hearing, Ordinance No. 1296, Establishing Supplemental Appropriation No. 2 to the Budget for the Fiscal Year Commencing on the First Day of July 2011 and Ending On the Thirtieth Day of June 2012 .....	12
<b>V. New Business</b>	
a. First Reading, Ordinance No. 1297, Amending Kodiak City Code 3.08.010(B), Levy of Sales Tax, to Increase the Rate of Sales Tax From Six Percent to Seven Percent on All Sales, Rentals, and Services Made Within the City Other Than Rentals of Transient Rooms; Amending Kodiak City Code 3.08.110(B), Tax Schedule, to Reflect the Increase in the Sales Tax Rate; and Amending Kodiak City Code 3.08.120(A), Maximum Taxable Sale, to Increase the Maximum Amount of a Single Transaction Subject to Taxation From \$750.00 To \$3,500.00 .....	30
b. Resolution No. 2012–11, Authorizing the Assignment of the Lease of Tract C-1, Alaska Tideland Survey 1408, Plat No. 92-41 From Ocean Beauty Seafoods, Inc. to Ocean Beauty Seafoods LLC .....	56
c. Resolution No. 2012–12, Supporting the Implementation of Lake Fertilization of Karluk, Frazer, and Spiridon Lakes by the Kodiak Regional Aquaculture Association as a Salmon Rehabilitation and Enhancement Method.....	66
d. Authorization of Emergency Replacement of Water Main on Rezanof Drive, Project No. 7032.....	74
<b>VI. Staff Reports</b>	
a. City Manager	
b. City Clerk	
<b>VII. Mayor’s Comments</b>	
<b>VIII. Council Comments</b>	
<b>IX. Audience Comments (limited to 3 minutes) (486-3231)</b>	
<b>X. Adjournment</b>	

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**MINUTES OF THE REGULAR COUNCIL MEETING  
 OF THE CITY OF KODIAK  
 HELD THURSDAY, APRIL 12, 2012  
 IN THE BOROUGH ASSEMBLY CHAMBERS**

**I. MEETING CALLED TO ORDER/PLEDGE OF ALLEGIANCE/INVOCATION**

Mayor Pat Branson called the meeting to order at 7:30 p.m. Councilmembers Randall C. Bishop, Charles E. Davidson, Terry J. Haines, Gabriel T. Saravia, Mark Anthony G. Vizcocho, and John B. Whiddon were present and constituted a quorum. City Manager Aimée Kniazowski, City Clerk Debra L. Marlar, and Deputy Clerk Matthew Gandel were also present.

After the Pledge of Allegiance, Salvation Army Sergeant Major Dave Blackater gave the invocation.

**II. PREVIOUS MINUTES**

Councilmember Whiddon MOVED to approve the minutes of the March 8, 2012, regular meeting as presented.

The roll call vote was Councilmembers Bishop, Davidson, Haines, Saravia, Vizcocho, and Whiddon in favor. The motion passed.

**III. PERSONS TO BE HEARD**

**a. Proclamation: Child Abuse Prevention Month**

Mayor Branson read the proclamation, which urges all citizens to increase their participation in efforts to prevent child abuse, thereby strengthening the communities in which we live.

Mayor Branson presented the proclamation to Jessica Schilleci and Sandra Wilkins of the Kodiak Women's Recourse and Crisis Center.

**b. Proclamation: Sexual Assault Awareness Month**

Councilmember Vizcocho read the proclamation, which encourages all Alaskans to support local activities and programs that assist victims of sexual assault and to learn more about the pervasiveness of sexual assault in Alaska, so we may eliminate this heinous crime.

Mayor Branson presented the proclamation to Jessica Schilleci and Sandra Wilkins of the Kodiak Women's Recourse and Crisis Center, who thanked the Council and said both proclamations sent a strong message of support for the victims of child abuse and sexual assault.

**c. Proclamation: Month of the Military Child**

Councilmember Whiddon read the proclamation, which encourages all citizens to show appreciation and understanding to the military children in our communities and recognize their courage, sacrifice, heroism, and continued resilience.

Mayor Branson presented the proclamation to Vanessa Bryant, Family Resource Specialist at the Coast Guard Work-Life Office, who said the proclamation demonstrated the strength of the bond between Kodiak and the Coast Guard community.

**d. Public Comments**

**Paul Converse**, Kodiak Public Library Association Board Member and Chair of the Kodiak Public Library Building Committee (KPLBC), said the KPLBC had interviewed four different general contractors for the library project and was pleased to recommend Cornerstone General Contractors. He spoke in support of the contract for art and outreach services for Rise Alaska. He said site clearing had begun for the new library.

**IV. UNFINISHED BUSINESS**

None.

**V. NEW BUSINESS**

**a. First Reading, Ordinance No. 1296, Establishing Supplemental Appropriation No. 2 to the Budget for the Fiscal Year Commencing on the First Day of July 2011 and Ending On the Thirtieth Day of June 2012**

Mayor Branson read Ordinance No. 1296 by title. It is customary for the City Council to approve at least one supplemental budget annually to authorize the adjustments of current revenues and expenses. This is the second supplemental for FY2012 and totals \$165,086. These adjustments are for operating funds as well as additions to project funds for grant revenues received and additional expenditures needed since the first supplemental budget amendment was approved in February 2012. This amendment also reverses the transfer of \$2.5 million in capital project funds from the fund balance of the General Fund and authorizes the capital funds to be taken from the Enhancement Fund.

Councilmember Davidson MOVED to pass Ordinance No. 1296 in the first reading and advance to second reading and public hearing at the next regular or special Council meeting.

The roll call vote was Councilmembers Bishop, Davidson, Haines, Saravia, Vizcocho, and Whiddon in favor. The motion passed.

**b. Resolution No. 2012–10, Authorizing the City to Submit to the Qualified Voters of the City at the October 2, 2012, City Election the Question of Amending Article X, Section 2 of the Kodiak City Charter to Provide That the Term of Office of Mayor or Councilmember Begins the First Monday Following the Certification of the Election and Upon Taking the Oath of Office**

Mayor Branson read Resolution No. 2012–10 by title. In early November 2011 the City Clerk discovered newly elected officials could not take office or take legislative actions following certification of the October election and taking the oath of office until a regular meeting occurring on the second or fourth Thursday of the month. Historically, the business of the regular meeting



on the second Thursday in November has been rescheduled to another day due to the Veterans Day holiday and the annual Alaska Municipal League training conference. The meeting scheduled on the fourth Thursday in November is always cancelled or rescheduled because it falls on Thanksgiving Day. The City Attorney recently clarified that meetings not held on the second or fourth Thursday of any month cannot be considered regular meetings, and the City Charter prohibits elected officials from taking office until the next regular meeting. Resolution No. 2012-10 would place a proposition on the October 2, 2012, ballot asking voters to authorize a Charter amendment which would change the term of office to begin the first Monday following certification of the election and upon taking the oath of office.

Councilmember Bishop MOVED to adopt Resolution No. 2012-10.

The roll call vote was Councilmembers Bishop, Davidson, Haines, Saravia, Vizcocho, and Whiddon in favor. The motion passed.

**c. Authorization of Bid Award for Baranof Park Improvements, Project No. 9001/12-05**

Renovation of Baranof Park's track and field has been an ongoing effort for many years. The project was designed by D.A. Hogan and Associates, and the project was put out for bid on February 6, 2012. Bids were opened on March 8, 2012, and two bids were received, both above the \$3 million project budget. One bidder did not meet bidder qualifications as required in the bid documents and was notified their bid would not be considered. D.A. Hogan negotiated with the remaining bidder and was successful in obtaining a new base bid and additive alternates. This new base bid is just under the \$3 million project budget.

Councilmember Haines MOVED to authorize the bid award for the Baranof Park Improvement Project to Ohno Construction in the amount of \$2,996,811, with funds coming from the Parks and Recreation Capital Improvement Fund, Baranof Park Improvements, Project No. 9001/12-05.

The roll call vote was Councilmembers Bishop, Davidson, Haines, Saravia, Vizcocho, and Whiddon in favor. The motion passed.

**d. Authorization of a Professional Services Contract for Construction Manager/General Contractor Pre-Construction Services for the New Library, Project No. 6012**

A Request for Proposals for Construction Manager/General Contractor (CMc) services for the new library project was issued on February 21, 2012, and nine proposals were received by the March 21, 2012, deadline. The Kodiak Public Library Building Committee formed a selection committee that met over two weeks to review proposals, interview the shortlisted firms, and recommend a contractor to the City Manager. The City Manager supports the selection committee's recommendation that Council authorize a professional services contract for CMc pre-construction services for the library project to Cornerstone General Contractors, Inc. for a guaranteed maximum price of \$37,760.

Councilmember Whiddon MOVED to authorize a professional services contract for CMc pre-construction services for the new library with Cornerstone General Contractors, Inc. for the

guaranteed maximum price of \$37,760, with funds coming from the Building Improvement Fund, New Library, Project No. 6012.

The roll call vote was Councilmembers Bishop, Davidson, Haines, Saravia, Vizcocho, and Whiddon in favor. The motion passed.

**e. Authorization of a Professional Services Contract for Art and Outreach Services for the New Library, Project No. 6012**

The Kodiak public library project is in the schematic design phase, which is the best time to plan for and integrate art into the public spaces of the new facility. At the request of the Kodiak Public Library Association (KPLA), RISE Alaska submitted a proposal to help facilitate the identification and procurement of art for the new facility and to assist with public outreach. Staff supports the KPLA request to issue a professional services contract to RISE Alaska to assist the City with procurement of art for the new library and with public outreach during this phase of the library project.

Councilmember Davidson MOVED to authorize a professional services contract with RISE Alaska for public outreach and art procurement for the new library in an amount not-to-exceed \$24,150, with funds coming from the Building Improvement Fund, New Library, Project No. 6012.

The roll call vote was Councilmembers Bishop, Davidson, Haines, Saravia, Vizcocho, and Whiddon in favor. The motion passed.

**f. Authorization to Purchase a Backhoe for the Harbor Department**

The Harbor Department needs to replace its 22-year-old backhoe. Unit # 39 has been in service well beyond its useful life expectancy and is no longer cost effective to maintain and operate. The Harbor department requests to replace the machine with a newer model “used machine.”

Councilmember Vizcocho MOVED to authorize the purchase of a used 2010 Case 580 M backhoe from Yukon Equipment, Inc. of Anchorage in the amount of \$89,615, with funds coming from the Boat Harbor Fund, Boat Harbor, Administration, Machinery and Equipment account.

The roll call vote was Councilmembers Bishop, Davidson, Haines, Saravia, Vizcocho, and Whiddon in favor. The motion passed.

**VI. STAFF REPORTS**

**a. City Manager**

City Manager Kniazowski congratulated Mayor Branson on being awarded the Founders Award from the National Institute of Senior Centers and Councilmember Saravia on achieving a Platinum Certificate in the Certificate of Achievement in Leadership Program from the National League of Cities (NLC). She reported on the recent lobbying trip and legislative reception in Juneau, saying both had been very successful. She said City staff would be making a presentation

to the Rasmuson Foundation for a potential grant for the new library project. She offered her deepest sympathies to the Coast Guard and the families involved in the recent deadly shooting.

**b. City Clerk**

City Clerk Marlar congratulated Mayor Branson and Councilmember Saravia on their recent achievements and informed the public of the next scheduled Council joint work session, work session, and regular meeting.

**VII. MAYOR'S COMMENTS**

Mayor Branson congratulated Councilmember Saravia on his NLC achievement and Finance Director Mary Munk on receiving the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA). She said ComFish was currently underway and encouraged everyone to attend. She thanked Councilmember Haines for volunteering to serve on the joint City-Borough Fisheries Subcommittee. She thanked Senator Gary Stevens and Representative Alan Austerman for working to secure state funding for City projects. She said she had a chance to speak with Governor Sean Parnell about funding for the replacement of Pier III. She said her thoughts and prayers were with the families who had lost loved ones in the shooting at the Coast Guard base and with all Coast Guard members.

**VIII. COUNCIL COMMENTS**

Councilmember Vizcocho congratulated Mayor Branson and Councilmember Saravia on their achievements. He said attending the Juneau lobbying trip had been a good experience. He offered his condolences to the families who lost loved ones in the shooting at the Coast Guard base.

Councilmember Haines congratulated Mayor Branson and Councilmember Saravia and said his heart went out to the families affected by the tragedy on the Coast Guard base.

Councilmember Davidson congratulated Mayor Branson and Councilmember Saravia. He welcomed the members of student councils from around the state who were in Kodiak for the Alaska Association of Student Government's Spring Leadership Conference, and everyone who had come for ComFish.

Councilmember Whiddon complimented Finance Director Munk on receiving the GFOA budget award and said that the hard work of the Finance Department paid dividends to Kodiak. He said he was stunned and shocked to hear about the events at the Coast Guard base, and said it was a time for the community to pull together and show their support for the Coast Guard.

Councilmember Saravia congratulated Mayor Branson and Finance Director Munk on their achievements. He thanked everyone working to raise money to complete the new library project. He said he was happy that City staff and the contractor were able to work together to get the Baranof Park project under budget, and said he hoped if there were added costs that the City and Borough would share the financial burden. He offered his condolences to everyone involved in the shooting at the Coast Guard base and encouraged all citizens to offer their support to the families affected by the tragedy.

Councilmember Bishop congratulated Mayor Branson, Councilmember Saravia, and Finance Director Munk. He said he was happy to see the Baranof Park project getting started. He offered his condolences and prayers to the Coast Guard community.

**IX. AUDIENCE COMMENTS**

None.

**X. ADJOURNMENT**

Councilmember Whiddon MOVED to adjourn the meeting.

The roll call vote was Councilmembers Bishop, Davidson, Haines, Saravia, Vizcocho, and Whiddon in favor. The motion passed.

The meeting adjourned at 8:21 p.m.

CITY OF KODIAK

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MAYOR

ATTEST:

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CITY CLERK

Minutes Approved:

# **PERSONS TO BE HEARD**

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## MEMORANDUM TO COUNCIL

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**Date:** April 26, 2012

**Agenda Item:** III. a. Proclamation: Municipal Clerks Week

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**SUMMARY:** This proclamation recognizes our Municipal Clerks for the vital services they perform and their dedication to our community.

**NOTES/ATTACHMENTS:**

Attachment A: Proclamation

**Proclamation**  
**Declaring Municipal Clerks Week**  
**April 29–May 5, 2012**

WHEREAS, the Office of the Municipal Clerk, a time honored and vital part of local government, exists throughout the world; and

WHEREAS, the Office of the Municipal Clerk is the oldest among public servants; and

WHEREAS, the Office of the Municipal Clerk provides the professional link between the citizens and the local governing body; and

WHEREAS, Municipal Clerks have pledged to be ever mindful of neutrality and impartiality, rendering equal service to all; and

WHEREAS, the Municipal Clerk serves as the information center on functions of local government; and

WHEREAS, Municipal Clerks continually strive to improve the administration of the affairs of the Office of the Municipal Clerk through participation in education programs and annual meetings of their state and international professional organizations; and

WHEREAS, it is appropriate that we recognize the accomplishments of the Office of the Municipal Clerk.

NOW, THEREFORE, I, Pat Branson, Mayor of the City of Kodiak, do hereby proclaim the week of April 29 through May 5, 2012, as

**Municipal Clerks Week**

in Kodiak and extend appreciation to our Municipal Clerks for the vital services they perform and for their dedication to our community.

Dated this 26th day of April 2012.

City of Kodiak

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Pat Branson, Mayor

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# **UNFINISHED BUSINESS**

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## MEMORANDUM TO COUNCIL

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**To:** Mayor Branson and City Council Members  
**From:** Aimée Kniazowski, City Manager *AK*  
**Thru:** Mary Munk, Finance Director *AK for MM*  
**Date:** April 26, 2012

**Agenda Item:** **IV. a. Second Reading and Public Hearing, Ordinance No. 1296, Establishing Supplemental Appropriation No. 2 to the Budget for the Fiscal Year Commencing on the First Day of July 2011 and Ending On the Thirtieth Day of June 2012**

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**SUMMARY:** It is customary for the City Council to approve at least one supplemental budget annually to authorize the adjustments of current revenues and expenses. This is the second supplemental for FY12 and totals \$165,086. The details of Supplement No. 2 are listed in Attachment B. These adjustments are for the operating funds as well as additions to project funds for grant revenues received and additional expenditures needed since the first supplemental budget amendment was passed in February. This amendment also reverses the transfer of \$2.5 million in capital project funds from the fund balance of the General Fund and authorizes the capital funds to be taken from the Enhancement Fund. Staff recommends Council adopt Ordinance 1296 in the second reading following the public hearing.

**PREVIOUS COUNCIL ACTION:**

- June 23, 2011, the City Council adopted Ordinance Number 1287 for the Fiscal Year 2012 Budget in the amount of \$38,895,801 commencing on the first day of July 2011 and ending on the thirtieth day of June 2012.
- January 26, 2012, the City Council adopted Ordinance Number 1295 for Fiscal Year 2012 Budget Supplemental #1 in the amount of \$19,030,137.
- April 10, 2012, Council reviewed and discussed Ordinance 1296 at the work session.
- April 12, 2012, Council adopted Ordinance 1296 in the first reading and moved to second reading at the next regular or special meeting.

**DISCUSSION:** The adoption of the budget by the City Council puts the budget into effect for the budget year July 1 through June 30. Amendments to the budget can occur anytime during the fiscal year through a supplemental budget ordinance, which is introduced as an ordinance at one Council meeting and adopted at the next regular or special meeting.

All new appropriations are authorized by an ordinance that amends the annual budget ordinance. An ordinance is required to move amounts between funds, departments, and projects. The Supplemental No.

2 appropriation is requesting the addition of \$165,086 to the adopted and amended budget bringing the total amended budget to \$58,091,024 for Fiscal Year 2012.

The main purpose of this supplemental budget amendment is to reverse the \$2,500,000 transfer made in Supplemental No. 1 from the General Fund to the New Library Fund in the amount of \$2,000,000 and the Parks & Recreation Fund in the amount of \$500,000. Supplemental No. 2 will make these same transfers from the Enhancement Fund where there is more fund balance to cover the transfer. The \$165,086 is to make minor adjustments to departmental expenses, add the Community Development Software application to the Building Inspector Division of Public Works, and budget the Vehicle and Equipment Replacement Fund that was approved and implemented in January.

**ALTERNATIVES:** N/A

**FINANCIAL IMPLICATIONS:** All expense appropriations requested in Supplemental No. 2 are funded by increased revenue sources, additional state and federal grant sources, and use of fund balances and transfers. The ordinance makes a number of changes in the Fiscal Year 2012 budget reflecting increased revenues and expenditures, new project and grant funding, and movement of funds to more accurately reflect current City operations. Detailed funding sources and expenses can be found in Attachment B.

**LEGAL:** The Kodiak City Charter and Kodiak City Code grant Council the authority to make appropriations and adopt and amend budgets as required. Use of the Enhancement Fund requires a supermajority approval of the Council.

**STAFF RECOMMENDATION:** Staff recommends Council adopt Ordinance No. 1296, Supplemental Appropriation No. 2 to the Budget for the fiscal year commencing on the first day of July 2011 and ending on the thirtieth day of June 2011 in the second reading following public hearing.

**CITY MANAGER'S COMMENTS:** We usually adopt one major budget amendment each fiscal year to make necessary adjustments to cover changes or additions to projects, to account for the receipt of additional general fund revenues, and to cover increased expenses.

The primary reason we need this second budget amendment is to reverse the transfer of \$2.5 million in capital funds from the General Fund to the Enhancement Fund. Council and staff originally planned to fund the \$2 million for the library project and the \$500,000 for the Baranof Park improvements through the Enhancement Fund in the first supplemental that was introduced in January. However, expenditures from the Enhancement Fund require a supermajority vote of five Council members. Since only four were present at the second reading, the supplemental was passed with funds taken from the General Fund so the projects could proceed on schedule with the understanding that another amendment would be made when all Council members were present. Supplemental No. 2 will transfer the same amount of

capital funds from the Enhancement Fund where there is a larger fund balance available to fund these projects.

The \$165,086 covers adjustments to departmental expenses, adds the Community Development Software application to the Building Inspection Division of the Public Works Department, and transfers funds to initiate the Vehicle and Equipment Replacement Fund approved in January by the City Council.

My recommendation is that Council adopt Ordinance 1296 in the second reading tonight.

**ATTACHMENTS:**

Attachment A: Ordinance 1296

Attachment B: Backup descriptions containing details and summaries by each fund.

**PROPOSED MOTION:** Move to adopt Ordinance 1296.

**CITY OF KODIAK  
ORDINANCE NUMBER 1296**

**AN ORDINANCE OF THE COUNCIL OF THE CITY OF KODIAK ESTABLISHING SUPPLEMENTAL APPROPRIATION NO. 2 TO THE BUDGET FOR THE FISCAL YEAR COMMENCING ON THE FIRST DAY OF JULY 2010 AND ENDING ON THE THIRTIETH DAY OF JUNE 2011**

BE IT ORDAINED by the Council of the City of Kodiak, Alaska, as follows:

**Section 1:** The following estimated revenues and expenditures are hereby appropriated for the corporate purposes and objects of the City of Kodiak for fiscal year 2011.

	<b>GENERAL FUND</b>		
	<b>Amended Budget</b>	<b>Supplemental #2</b>	<b>Revised Budget</b>
<b>Anticipated Revenues:</b>			
Sales Tax	\$ 9,337,650	\$ -	\$ 9,337,650
PERS Relief	564,880	-	564,880
State Revenue Sharing	534,300	-	534,300
Fish Tax - Dept of Revenue	1,123,200	-	1,123,200
State Grants	54,500	1,836	56,336
Federal Grants	71,700	-	71,700
Police Protective Custody	3,000	-	3,000
Vehicle Replacement	-	21,850	21,850
Use of Fund Balance	4,138,770	(2,382,450)	1,756,320
All Other Revenues	4,334,818	-	4,334,818
Total Amended Revenues	<u>\$ 20,162,818</u>	<u>\$ (2,358,764)</u>	<u>\$ 17,804,054</u>
<b>Planned Expenditures:</b>			
Legislative	\$ 255,640	\$ -	\$ 255,640
Legal	80,000	-	80,000
Executive	329,780	-	329,780
Emergency Preparedness	56,500	-	56,500
City Clerk	411,200	-	411,200
Finance	1,323,780	-	1,323,780
Police	6,047,895	38,900	6,086,795
Fire	1,823,980	-	1,823,980
Public Works	2,748,903	80,650	2,829,553
Engineering	255,820	-	255,820
Parks & Recreation	1,207,000	-	1,207,000
Library	843,120	1,836	844,956
Non-Departmental	713,700	-	713,700
Transfers	4,065,500	(2,478,150)	1,587,350
Total Amended Expenditures	<u>\$ 20,162,818</u>	<u>\$ (2,356,764)</u>	<u>\$ 17,806,054</u>

**SPECIAL REVENUE FUNDS**

	Amended Budget	Supplemental #2	Revised Budget
Anticipated Revenues:			
Tourism Development	\$ 142,860	\$ -	\$ 142,860
KFDA	60,050	-	60,050
City Enhancement	500,000	2,500,000	3,000,000
Total Amended Revenues	<u>\$ 702,910</u>	<u>\$ 2,500,000</u>	<u>\$ 3,202,910</u>
Planned Expenditures:			
Tourism Development	\$ 142,860	\$ -	\$ 142,860
KFDA	60,050	-	60,050
City Enhancement	500,000	2,500,000	3,000,000
Total Amended Expenditures	<u>\$ 702,910</u>	<u>\$ 2,500,000</u>	<u>\$ 3,202,910</u>

**CAPITAL PROJECTS**

	Amended Budget	Supplemental #2	Revised Budget
Anticipated Revenues:			
300 General Capital Projects	\$ 1,457,230	\$ -	\$ 1,457,230
315 Vehicle Replacement Capital	\$ -	\$ 21,850	21,850
301 Street Improvements	1,802,000	-	1,802,000
302 Building Improvements	9,400,000	-	9,400,000
305 Water Capital Fund	628,645	-	628,645
306 Sewer Capital Fund	1,325,000	-	1,325,000
307 Cargo Development Fund	2,778,000	-	2,778,000
308 Harbor Development	-	-	-
309 Parks & Recreation Fund	3,074,000	-	3,074,000
Total Amended Revenues	<u>\$ 20,464,875</u>	<u>\$ 21,850</u>	<u>\$ 20,486,725</u>
Planned Expenditures:			
300 General Capital Projects	\$ 1,457,230	\$ -	\$ 1,457,230
315 Vehicle Replacement Capital	-	21,850	21,850
301 Street Improvements	1,802,000	-	1,802,000
302 Building Improvements	9,400,000	-	9,400,000
305 Water Capital Fund	628,645	-	628,645
306 Sewer Capital Fund	1,325,000	-	1,325,000
307 Cargo Development Fund	2,778,000	-	2,778,000
308 Harbor Development	-	-	-
309 Parks & Recreation Fund	3,074,000	-	3,074,000
Total Amended Expenditures	<u>\$ 20,464,875</u>	<u>\$ 21,850</u>	<u>\$ 20,486,725</u>

**ENTERPRISE FUNDS**

	Amended Budget	Supplemental #2	Revised Budget
Anticipated Revenues:			
Cargo Fund 500	\$ 1,112,672	\$ -	\$ 1,112,672
Harbor Fund 510	4,250,214	-	4,250,214
Boat Yard/Lift 512	1,355,042	-	1,355,042
Electric Fund 515	660,913	-	660,913
Water Fund 550	3,468,573	-	3,468,573
Sewer Fund 570	4,305,610	-	4,305,610
Trident Basin Fund 580	348,811	-	348,811
E-911 Services	73,800	-	73,800
Total Amended Revenues	<u>\$ 15,575,635</u>	<u>\$ -</u>	<u>\$ 15,575,635</u>

**Enterprise Funds Continued**

Planned Expenditures:				
Cargo Fund 500	\$ 1,112,672	\$	-	\$ 1,112,672
Harbor Fund 510	4,250,214		-	\$ 4,250,214
Boat Yard/Lift 512	1,355,042		-	\$ 1,355,042
Electric Fund 515	660,913		-	\$ 660,913
Water Fund 550	3,468,573		-	\$ 3,468,573
Sewer Fund 570	4,305,610		-	\$ 4,305,610
Trident Basin Fund 580	348,811		-	\$ 348,811
E-911 Services	73,800		-	\$ 73,800
Total Amended Expenditures	<u>\$ 15,575,635</u>	\$	-	<u>\$ 15,575,635</u>

**INTERNAL SERVICE FUND**

	Amended Budget	Supplemental #2	Revised Budget
Anticipated Revenues:			
Self Insurance Fund	\$ 1,019,700	\$ -	\$ 1,019,700
Total Amended Revenues	<u>\$ 1,019,700</u>	<u>\$ -</u>	<u>\$ 1,019,700</u>
Planned Expenditures:			
Self Insurance Fund	\$ 1,019,700	\$ -	\$ 1,019,700
Total Amended Expenditures	<u>\$ 1,019,700</u>	<u>\$ -</u>	<u>\$ 1,019,700</u>
<b>Total Revenues</b>	<b>\$ 57,925,938</b>	<b>\$ 163,086</b>	<b>\$ 58,089,024</b>
<b>Total Expenditures</b>	<b>\$ 57,925,938</b>	<b>\$ 165,086</b>	<b>\$ 58,091,024</b>

**Section 2:** This ordinance shall be in full force and effect from and after its passage as required by law.

CITY OF KODIAK

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MAYOR

ATTEST:

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CITY CLERK

First Reading: April 12, 2012

Second Reading:

Effective Date:



CITY OF KODIAK  
FY 2012 Supplemental  
Attachment B

	Adopted Budget 2012	Capital Project Rollover 2011	Supplemental #1 2012	Supplemental #2 2012	Total Budget 2012	As of 2/29/2012	Difference	%
<b>Fund 100 General Fund</b>								
<b>REVENUES:</b>								
310.100 Property Taxes	770,000				770,000	600,000	170,000	78%
310.111 PILOT from KIHA	3,500				3,500	-	3,500	0%
310.200 Sales Taxes	9,100,000		237,650		9,337,650	5,360,000	3,977,650	57%
310.900 Penalty & Interest	25,000				25,000	24,419	581	98%
320.000 License & Permits	75,000				75,000	50,562	24,438	67%
330.100 PERS Relief	427,540		137,340		564,880	-	564,880	0%
330.105 State Revenue Sharing	430,000		104,300		534,300	(36)	(36)	100%
330.130 Fish Tax - Dept of Rev	1,000,000		123,200		1,123,200	1,123,205	(5)	100%
330.131 Fish Tax - DCED (Shared Fish Tax)	70,000				70,000	24,977	45,023	36%
330.140 Fuel Tax Sharing	6,500				6,500	6,882	(382)	106%
330.150 Alcohol Beverage Sharing	31,000				31,000	20,000	11,000	65%
330.160 Utility Revenue Sharing	38,100				38,100	-	38,100	0%
330.300 State Grant Capital	-		41,000		41,000	41,000	-	100%
330.305 State Grant - Operations	40,000		(26,500)	1,836	15,336	8,336	7,000	54%
330.325 Federal Grant	-		71,700		71,700	11,968	59,732	142%
340.100 Boarding of Prisoners	805,340				805,340	595,683	209,657	66%
340.110 State Trooper Comm Contract	120,000				120,000	38,375	81,625	33%
340.120 Other Police Services	20,000				20,000	2,979	17,021	15%
340.130 Police Protective Custody	500		2,500		3,000	1,550	1,450	52%
340.240 Borough Building Inspections	140,000				140,000	67,215	72,785	48%
340.300 Ambulance Services	40,000				40,000	2,922	37,078	7%
340.310 Fire Miscellaneous	1,000				1,000	-	1,000	0%
340.400 School Crossing Guard	12,000				12,000	-	12,000	0%
340.405 School Lifeguard Services	7,500				7,500	9,112	(1,612)	121%
340.405 Parks & Recreation Revenues	116,000				116,000	84,061	31,939	72%
340.520 Library Revenue	19,000				19,000	8,405	10,595	44%
340.545 Miscellaneous Service Charges	10,200				10,200	282	9,918	3%
350.100 Fines & Forfeits	20,500				20,500	1,904	18,596	9%
360.100 Interest on Investments	60,000				60,000	1,738	58,262	3%
363.100 Rents & Royalties	150,000				150,000	127,065	22,935	85%
375.600 Miscellaneous other	503,800				503,800	12,683	491,117	3%
380.100 Cargo Terminal Services	34,940				34,940	34,940	-	100%
380.110 Boat Harbor Services	87,350				87,350	87,350	-	100%
380.115 Boat Yard Service	34,940				34,940	34,940	-	100%
380.118 Electric	17,470				17,470	17,470	-	100%
380.120 Water Services	87,360				87,360	87,360	-	100%
380.121 Sewer Services	87,360				87,360	87,360	-	100%
380.125 Trident Basin	17,470				17,470	17,470	-	100%
380.130 Tourism Services	36,860				36,860	36,860	-	100%
380.150 Public Works	295,668				295,668	295,668	-	100%
380.190 Engineering/Inspections Fees	90,960				90,960	90,960	-	100%
380.400 Vehicle Replacement	-			21,850	21,850	-	21,850	0%
385.100 Approp. From Fund Balance	1,638,770		2,500,000	(2,380,450)	1,758,320	-	1,758,320	0%
390.780 Transfer from Insurance Fund	400,000				400,000	492,689	(92,689)	123%
<b>TOTAL REVENUES</b>	<b>16,971,628</b>	<b>-</b>	<b>3,191,190</b>	<b>(2,356,764)</b>	<b>17,806,054</b>	<b>10,043,737</b>	<b>7,762,585</b>	<b>56%</b>
<b>EXPENDITURES:</b>								
Legislative	235,640		20,000		255,640	95,717	159,923	37%
Legal	80,000				80,000	20,230	59,770	25%
Executive	315,600		14,180		329,780	200,836	128,944	61%
Vehicle Replacement Policy Implemented as of 1/1/2012 New Library \$2,000,000, Parks & Rec \$500,000 Reverse Library & Parks & Rec Transfer \$2,500,000, Transfer \$21,850 to Fund 315 for Vehicle Replacement								



CITY OF KODIAK  
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	Adopted Budget 2012	Capital Project Rollover 2011	Supplemental #1 2012	Supplemental #2 2012	Total Budget 2012	As of 2/29/2012	Difference	%
Emergency Preparedness	56,500				56,500	27,987	28,513	50%
City Clerk - Clerk	271,190		4,520		275,710	147,462	128,248	53%
City Clerk - Records	133,860		1,630		135,490	73,816	61,674	54%
Finance	1,304,050		19,730		1,323,780	818,288	505,492	62%
								Vehicle Replacement Policy Implemented as of 1/1/2012 -
Police	6,158,355		(110,460)	38,900	6,086,795	3,925,282	2,161,513	64%
								\$3,900, Warehouse Rental Support \$15,000, Utilities Corrections \$20,000
Fire	1,742,050		81,930		1,823,980	1,195,644	628,336	66%
								Vehicle Replacement Policy Implemented as of 1/1/2012
Public Works	2,698,593		50,310	80,650	2,829,553	1,959,823	869,730	69%
								\$17,950, Community Development Software for Building Inspectors \$62,700 (Partial reimbursement from KIB)
Engineering	252,820		3,200		255,820	97,603	158,217	38%
Parks & Recreation	1,200,150		6,850		1,207,000	750,987	456,013	62%
Library	834,320		8,800	1,836	844,956	519,395	325,561	61%
Non-Departmental	673,700		40,000		713,700	601,933	111,767	84%
								Reverse Library & Parks & Rec Transfer \$2,500,000, Transfer \$21,850 to Fund 315 for Vehicle Replacement
Transfers	1,015,000		3,050,500	(2,478,150)	1,587,350	4,065,500	(2,478,150)	256%
<b>TOTAL EXPENDITURES</b>	<b>16,971,628</b>	<b>-</b>	<b>3,191,190</b>	<b>(2,356,764)</b>	<b>17,806,054</b>	<b>14,500,503</b>	<b>3,305,551</b>	<b>81%</b>
<b>Fund 251 Tourism Development</b>								
Revenues:								
Hotel/Motel Tax	142,860				142,860	98,467	44,393	69%
Interest on Investments	-				-	41	(41)	0%
Approp. From Fund Balance	-				-	-	-	0%
Revenues:	<b>142,860</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>142,860</b>	<b>98,508</b>	<b>44,352</b>	<b>69%</b>
Expenditures:	<b>142,860</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>142,860</b>	<b>117,860</b>	<b>25,000</b>	<b>83%</b>
<b>Fund 254 KFDDA</b>								
Revenues:								
Rentals	60,000				60,000	109,326	(49,326)	182%
Interest on Investments	50				50	22	28	45%
Approp. From Fund Balance	-				-	-	-	0%
Revenues:	<b>60,050</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,050</b>	<b>109,348</b>	<b>(49,298)</b>	<b>182%</b>
Expenditures:	<b>60,050</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,050</b>	<b>14,413</b>	<b>45,637</b>	<b>24%</b>
<b>Fund 299 City Enhancement</b>								
Revenues:								
Interest on Investments	55,000				55,000	126,153	(71,153)	229%
Gibson Cove Cannery	40,500				40,500	30,771	9,729	76%
Other Revenue - Land Sales	100,000				100,000	-	100,000	0%
Approp. From Fund Balance	304,500			2,500,000	2,804,500	-	2,804,500	0%
								Transfer to New Library Project \$2,000,000, Transfer to Parks & Recreations Project \$500,000
Revenues:	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>2,500,000</b>	<b>3,000,000</b>	<b>156,924</b>	<b>2,843,076</b>	<b>0%</b>

CITY OF KODIAK  
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Expenditures:	Adopted Budget 2012	Capital Project Rollover 2011	Supplemental #1 2012	Supplemental #2 2012	Total Budget 2012	As of 2/29/2012	Difference	%
	500,000	-	-	2,500,000	3,000,000	500,000	2,500,000	0%
<b>Fund 300 General Capital Projects</b>								
Revenue:								
State Grants	4,230	14,500	735,000	-	753,730	681,752	71,978	90%
Federal Grants	400,000	300,000	27,500	-	727,500	278,027	449,473	38%
Approp. From Fund Balance	15,000	50,000	-	-	65,000	-	65,000	0%
Transfer from General Fund	-	1,115,000	550,500	-	1,680,500	1,680,500	-	100%
Transfer from Enhancement Fund	-	100,000	-	-	100,000	100,000	-	100%
Transfer from harbor Fund	-	20,000	-	-	20,000	20,000	-	100%
Transfer from Land Development	-	115,000	-	-	115,000	115,000	-	100%
Transfer from E-911 Fund	-	275,000	(275,000)	-	-	-	-	-
Revenues:	<b>419,230</b>	<b>1,989,500</b>	<b>1,038,000</b>	<b>-</b>	<b>3,446,730</b>	<b>2,875,280</b>	<b>571,450</b>	<b>83%</b>

Transfer to New Library Project  
 0% \$2,000,000, Transfer to Parks &  
 Recreations Project \$500,000

Expenditures:								
4001 Near Island Development	85,000	85,000	-	-	85,000	76,698	8,302	90%
4002 City Land Development	70,000	70,000	-	-	70,000	44,912	25,088	64%
4009 Compr Records Management Prog	275,000	275,000	-	-	275,000	238,237	36,763	87%
4013 Museum Building - Phase I	250,000	250,000	-	-	250,000	236,056	13,944	94%
4014 Municipal Airport Improvements	-	700,000	-	-	700,000	669,523	30,477	96%
4015 Fire Station Upgrades	550,000	550,000	-	-	550,000	455,434	94,566	83%
4026 Energy Grants KIB/COK	50,000	50,000	-	-	50,000	43,021	6,979	86%
4027 Alaska Shield Hazmat Exercise/Anchorage	14,500	14,500	-	-	14,500	8,045	6,455	55%
4028 Financial Software Upgrade	320,000	320,000	-	-	320,000	326,277	-	97%
4029 E-911 Upgrade System	275,000	275,000	-	-	275,000	-	275,000	0%
4030 Classification & Compensation Study	100,000	100,000	-	-	100,000	44,510	55,490	45%
4031 Home Land Security	4,230	4,230	-	-	4,230	-	4,230	0%
4032 Fire Department Engine Replacement	400,000	-	50,000	-	450,000	-	450,000	0%
4033 Fire Department Ambulance Replacement	-	-	35,000	-	35,000	-	35,000	0%
4034 Paving Police Station Parking Lot	-	-	253,000	-	253,000	-	253,000	0%
Expenditures:	<b>419,230</b>	<b>1,989,500</b>	<b>1,038,000</b>	<b>-</b>	<b>3,446,730</b>	<b>2,146,944</b>	<b>1,299,786</b>	<b>62%</b>

**Fund 315 Vehicle Replacement Capital Fund**

Revenue:								
Transfer from General Fund	-	-	-	21,850	21,850	-	21,850	0%
Revenues:	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,850</b>	<b>21,850</b>	<b>-</b>	<b>21,850</b>	<b>0%</b>

New Fund for Vehicle Replacement -  
 City Council approved Jan 2012

Expenditures:								
4900 Vehicle Replacement Capital	540,000	120,000	(503,382)	21,850	120,000	120,000	-	100%
Transfer from General Fund	450,000	1,258,332	-	-	1,294,950	1,179,000	1,294,950	0%
Transfer from Water Capital 305	-	729,000	-	-	625,400	1,179,000	-	100%
Transfer from Sewer Capital 306	-	714,400	-	-	714,400	714,400	-	100%
Expenditures:	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,850</b>	<b>21,850</b>	<b>-</b>	<b>21,850</b>	<b>0%</b>

New Fund for Vehicle Replacement -  
 City Council approved Jan 2012

**Fund 301 Street Improvement**

Revenue:								
State Grants	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-
Interest on Investments	-	-	-	-	-	-	-	-
Approp. From Fund Balance	540,000	120,000	(503,382)	21,850	120,000	120,000	-	100%
Transfer from General Fund	450,000	1,258,332	-	-	1,294,950	1,179,000	1,294,950	0%
Transfer from Water Capital 305	-	729,000	-	-	625,400	1,179,000	-	100%
Transfer from Sewer Capital 306	-	714,400	-	-	714,400	714,400	-	100%

**City of Kodiak - Attachment to Ordinance**

CITY OF KODIAK  
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	Adopted Budget 2012	Capital Project Rollover 2011	Supplemental #1 2012	Supplemental #2 2012	Total Budget 2012	As of 2/29/2012	Difference	%
Transfer from Harbor Fund 510		25,000			25,000	25,000	-	100%
Transfer from Water Fund 550	290,000	845,100	510,382		1,645,482	1,645,482	-	100%
Transfer from Sewer Fund 570	515,000	35,000			550,000	550,000	-	100%
Revenues:	<b>1,795,000</b>	<b>4,352,232</b>	<b>7,000</b>	-	<b>6,154,232</b>	<b>4,859,282</b>	<b>1,294,950</b>	<b>79%</b>

Expenditures:								
5003 Annual Sidewalk/Curb	-	640,032			640,032	528,924	111,108	83%
5019 Maple Street - Phase III	1,750,000	2,410,200			4,160,200	3,786,249	373,951	91%
5024 SPCC PLAN (Spill Prevention Control & Counter Measure	-	209,000	7,000		216,000	210,048	5,952	97%
5025 Pavement Repairs	-	800,000			800,000	684,909	115,091	
5026 Baranof Museum Retaining Wall Replacement	-	293,000			293,000	273,228	19,772	93%
5028 Specs 2000	45,000				45,000	17,296	27,704	38%
5098 Transfers	-				-	-	-	
Expenditures:	<b>1,795,000</b>	<b>4,352,232</b>	<b>7,000</b>	-	<b>6,154,232</b>	<b>5,500,555</b>	<b>653,577</b>	<b>89%</b>

Fund 302 Building Improvement Fund

Revenues:								
Interest on Investments		1,000			1,000	1,000	-	100%
State Grants			6,900,000		6,900,000	148,779	6,751,221	2%
Local Funding - Pledges								
Local Funding Grant								
Transfer from General Fund		1,000,000	2,000,000	(2,000,000)	1,000,000	1,000,000	-	100%
Transfer from New Library Fund 255		5,424			5,424	5,424	-	100%
Transfer from Enhancement Fund	500,000	10,000		2,000,000	2,510,000	2,510,000	-	100%
Approp. From Fund Balance	<b>500,000</b>	<b>1,016,424</b>	<b>8,900,000</b>	-	<b>10,416,424</b>	<b>3,665,203</b>	<b>6,751,221</b>	<b>35%</b>

Expenditures:

6012 New Library	500,000	1,016,424	8,900,000		10,416,424	186,092	10,230,332	2%
Expenditures:	<b>500,000</b>	<b>1,016,424</b>	<b>8,900,000</b>	-	<b>10,416,424</b>	<b>186,092</b>	<b>10,230,332</b>	<b>2%</b>

Fund 305 Water Capital

Revenues:								
State Grants		2,800,000	2,604,452		5,404,452	3,164,676	2,239,776	59%
Federal Grants		768,000			768,000	557,142	210,858	27%
Approp. From Fund Balance	800,000	286,140	34,938		1,121,078	-	1,121,078	0%
ADEC Drinking Loans		5,573,530	(2,810,745)		2,762,785	582,301	2,180,484	21%
Transfer from Water Fund 550		349,000			349,000	349,000	-	100%
ADEC Clean Water Loans		341,930			341,930	200,394	141,536	59%
Transfer from Sewer Fund 570		98,000			98,000	98,000	-	100%
Transfer from Street Improvement Fund		78,000			78,000	78,000	-	100%
Transfer from Sewer Capital 306								
Revenues:	<b>800,000</b>	<b>10,295,000</b>	<b>(171,355)</b>	-	<b>10,923,645</b>	<b>5,029,513</b>	<b>5,894,132</b>	<b>46%</b>

Expenditures:

7020 UV Pre/Final Design Secondary Water Treatment Facility			900,000		900,000	873,151	26,849	0%
7021 Phase II Downtown Comprehensive Water, Sewer, & Storm Drain		850,000			850,000	426,249	423,751	0%
7023 UV Water Treatment Facility Construction		8,800,000	(1,079,355)		7,720,645	4,636,549	3,084,096	0%
7024 Utility Rate Study		40,000	8,000		48,000	37,131	10,869	0%
7026 Aleutian Homes Water & Sewer Replacement Proj Phase V		260,000			260,000	247,557	12,443	0%
7029 Monashka Pump House Feasibility Study		225,000			225,000	151,329	73,671	0%

CITY OF KODIAK  
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	Adopted Budget 2012	Capital Project Rollover 2011	Supplemental #1 2012	Supplemental #2 2012	Total Budget 2012	As of 2/29/2012	Difference	%
7030 Replace Chlorine Solution Storage Tank WWTP		120,000			120,000	-	120,000	0%
7031 Monashka Watershed Survey	250,000				250,000	-	250,000	0%
7033 Pillar Creek Dam Spillway Repair Work	550,000				550,000	37,935	512,065	0%
7099 Transfer								
Expenditures:	800,000	10,295,000	(171,355)	-	10,923,645	6,409,900	4,513,745	59%

Fund 306 Sewer Capital Fund

Revenues:								
Charges for Sewer Sales (10%)		26,000			26,000	26,000	-	100%
Approp. From Fund Balance	1,310,000	570,000	15,000		1,895,000	-	1,895,000	0%
Transfer from Street Improvement Fund 301		15,000			15,000	15,000	-	100%
Revenues:	1,310,000	611,000	15,000	-	1,936,000	41,000	1,895,000	2%

Expenditures:

7508 Lift Station Electric (5)		26,000			26,000	1,079	24,921	4%
7509 Upgrade Lift Station #1		150,000			150,000	6,675	143,325	0%
7510 Sludge Study & Composting		270,000	15,000		285,000	284,998	2	0%
7512 Aeration Basin Air Control System		150,000			150,000	-	150,000	0%
7513 Inflow & Infiltration Repair materials	10,000	15,000			25,000	2,813	22,187	0%
7514 Rehabilitate Press pump Station	400,000				400,000	-	400,000	0%
7516 Replace Lift Station #1 & #2	900,000				900,000	-	900,000	0%
7599 Transfer								
Expenditures:	1,310,000	611,000	15,000	-	1,936,000	295,566	1,640,434	15%

Fund 307 Cargo Development Fund

Revenues:								
Slate Grants		950,000	1,984,000		2,934,000	338,093	2,595,907	12%
Approp. From Fund Balance	332,000	365,700	462,000		1,159,700	-	1,159,700	0%
Revenues:	332,000	1,315,700	2,446,000	-	4,093,700	338,093	3,755,607	8%

Expenditures:

8013 Design & Engineering Pier III		250,000	482,000		712,000	76,595	635,405	11%
8015 Cruise Ship Facility Planning - Pier II		250,000			250,000	250,000	-	100%
8016 Pedestrian Access from Pier II		700,000	1,984,000		2,684,000	144,965	2,539,035	5%
8017 Inspection Pier II and Inner Harbor Docks		85,700			85,700	64,241	21,459	75%
8018 Security Improvements		30,000			30,000	-	30,000	0%
8019 Oscar's Dock Electric	20,000				20,000	-	20,000	0%
8020 Decking for Dock I	100,000				100,000	-	100,000	0%
8021 Zinc Replacement	50,000				50,000	7,660	42,340	15%
8022 Data Weather Station	12,000				12,000	5,000	7,000	42%
Expenditures:	332,000	1,315,700	2,446,000	-	4,093,700	548,461	3,545,239	13%

Fund 308 Harbor Development

Revenues:								
Slate Grant								
Federal Grants								
ADEC Clean Water Loan - Project # 8514								
Proceeds from Bond Sale								
Approp. From Fund Balance		1,015,000			1,015,000	-	1,015,000	0%
Transfer from General Fund		280,000			280,000	280,000	-	100%
Transfer from Boat Harbor Water Capital 305								
Sewer Capital 306								
Revenues:		1,295,000		-	1,295,000	280,000	1,015,000	22%

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	Adopted Budget 2012	Capital Project Rollover 2011	Supplemental #1 2012	Supplemental #2 2012	Total Budget 2012	As of 2/29/2012	Difference	%
<b>Expenditures:</b>								
8515 Harbor Security Camera System		10,000			10,000		10,000	0%
8516 Float, Boat Launch, SPH		150,000			150,000	14,863	135,137	10%
8517 Restrooms, Fisherman's Hall		200,000			200,000	53	199,947	0%
8519 SPH Ladders		20,000			20,000	9,791	10,209	49%
8520 SHH Repairs		745,000			745,000	389,407	355,593	52%
8521 Channel Transient Float/ Bull Rails		25,000			25,000		25,000	0%
8023 Oscar's Dock Fender Piling Replacement		45,000			45,000	10,920	34,080	24%
8024 Water Front Harbor Planning		100,000			100,000	3,849	96,151	4%
9598 Transfers								0%
<b>Expenditures:</b>					<b>1,295,000</b>	<b>428,883</b>	<b>866,117</b>	<b>33%</b>
<b>Fund 309 Parks &amp; Rec Capital</b>								
<b>Revenue:</b>								
Slate Grants		100,000	2,000,000		2,100,000	205,336	1,894,664	10%
Local Grants			500,000		500,000	55,376	444,624	11%
Approp. From Fund Balance	24,000	348,629			370,629		370,629	0%
Transfer from Enhancement Fund				500,000	500,000	500,000		
Transfer from General Fund	50,000	201,465	500,000	(500,000)	251,465	253,371	(1,906)	101%
<b>Revenues:</b>	<b>74,000</b>	<b>648,094</b>	<b>3,000,000</b>	<b>-</b>	<b>3,722,094</b>	<b>1,014,082</b>	<b>2,708,012</b>	<b>27%</b>
<b>Expenditures:</b>								
9001 Baranof Park Improvements (E&D)		350,000	3,000,000		3,350,000	264,028	3,085,972	8%
9004 Playground Equipment & Improve	18,000	55,000			73,000	32,123	40,877	44%
9007 Storage Building - Baranof Park	40,000	75,000			115,000	41,036	73,964	36%
9012 Baranof Baseball Field Improvements		48,094			48,094	42,816	5,278	89%
9013 Major Park Maintenance	16,000	70,000			86,000	65,938	20,062	77%
9014 Building Improvement (Weatherization)		50,000			50,000	21,223	28,777	42%
9098 Transfers								0%
<b>Expenditures:</b>	<b>74,000</b>	<b>648,094</b>	<b>3,000,000</b>	<b>-</b>	<b>3,722,094</b>	<b>467,164</b>	<b>3,254,930</b>	<b>13%</b>
<b>Fund 500 Cargo Terminal</b>								
<b>Revenue:</b>								
PERS Relief	12,020				15,760		15,760	0%
Dockage Pier III	130,000		3,740		130,000	80,131	49,869	62%
Cruise Ship Revenues	80,000				80,000	93,602	(13,602)	117%
Pier III Lease	300,000				300,000	218,662	81,338	73%
Warf	520,000				520,000	255,476	264,524	49%
Interest on Investments	7,000				7,000	1,887	5,113	27%
Warehouse Rental	200,000				200,000	161,247	38,753	81%
Van Storage Rental	12,000				12,000	20,685	(8,685)	172%
Miscellaneous						90	(90)	0%
Approp. From Retained Earnings Transfer	(152,088)				(152,088)		(152,088)	0%
<b>Revenues:</b>	<b>1,108,932</b>	<b>-</b>	<b>3,740</b>	<b>-</b>	<b>1,112,672</b>	<b>831,781</b>	<b>280,891</b>	<b>75%</b>
<b>Expenditures:</b>								
Cargo Terminal Administration	380,230		3,740		383,970	246,038	137,932	64%
Cargo Terminal Interfund Charges	189,212				189,212	189,212	-	100%
Cargo Terminal Warehouse	11,000				11,000	11,350	(350)	103%
Cargo Terminal Pier II	509,490				509,490	262,040	247,450	51%
Cargo Terminal Pier III	19,000				19,000	1,428	17,572	8%
<b>Expenditures:</b>	<b>1,108,932</b>	<b>-</b>	<b>3,740</b>	<b>-</b>	<b>1,112,672</b>	<b>710,068</b>	<b>402,604</b>	<b>64%</b>
<b>Fund 510 Boat Harbor Fund</b>								
<b>Revenue:</b>								

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	Adopted Budget 2012	Capital Project Rollover 2011	Supplemental #1 2012	Supplemental #2 2012	Total Budget 2012	As of 2/29/2012	Difference	%
PERS Relief	51,140		15,930		67,070	-	67,070	0%
Dockage AMHS	60,000				60,000	57,796	2,204	96%
Exclusive Moorage	1,225,000				1,225,000	1,242,463	(17,463)	101%
Transient Moorage	500,000				500,000	377,457	122,543	75%
Harbormaster Service	10,000				10,000	7,370	2,630	74%
Gridiron Fees	15,000				15,000	9,796	5,204	65%
Pier/Dock Fees	150,000				150,000	123,420	26,580	82%
Used Oil Fees	5,000				5,000	7,506	(2,506)	150%
Waiting List Fees	2,000				2,000	1,875	125	94%
Trailer Parking Fees	25,000				25,000	22,755	2,245	91%
Bulk Oil Sales/Charges	60,000				60,000	34,747	25,253	58%
Gear Storage	30,000				30,000	37,189	(7,189)	124%
Parking Meters	-				-	3,288	(3,288)	
Launch Ramp Fees	20,000				20,000	4,849	15,151	24%
Interest on Investments	30,000				30,000	8,325	21,675	28%
Office Rent AMHS	15,500				15,500	10,303	5,197	66%
Other Revenues	7,300				7,300	24,365	(17,065)	334%
Harbor Services to Cargo	197,988				197,988	197,988	-	100%
Approp from Retained Earnings	1,830,356				1,830,356	-	1,830,356	0%
Transfer	-				-	-	-	
Revenues:	<b>4,234,284</b>	<b>-</b>	<b>15,930</b>	<b>-</b>	<b>4,250,214</b>	<b>2,171,492</b>	<b>2,078,722</b>	<b>51%</b>

Expenditures:								
Boat Harbor Administration	3,262,540		15,930		3,278,470	1,920,655	1,357,815	59%
Boat Harbor Interfund	171,744				171,744	171,744	-	100%
Transfer to Boal Yard Lift	800,000				800,000	800,000	-	100%
Expenditures:	<b>4,234,284</b>	<b>-</b>	<b>15,930</b>	<b>-</b>	<b>4,250,214</b>	<b>2,892,399</b>	<b>1,357,815</b>	<b>68%</b>

Fund 512 Boat Yard/Lift								
Revenues:								
PERS Relief	7,430				9,730	-	9,730	0%
Customer Fees	530,500	2,300			530,500	194,044	336,456	37%
Interest on Investments	5,000				5,000	-	5,000	0%
Other Revenue	2,000				2,000	10	1,990	0%
Approp from Retained Earnings	7,812				7,812	848	6,964	11%
Transfer	800,000				800,000	800,000	-	100%
Revenues:	<b>1,352,742</b>	<b>2,300</b>	<b>-</b>	<b>-</b>	<b>1,355,042</b>	<b>994,901</b>	<b>360,141</b>	<b>73%</b>

Expenditures:								
Yard Administration	1,176,160	2,300			1,178,460	777,500	400,960	66%
Boat Yard Interfund	176,582				176,582	176,582	-	100%
Expenditures:	<b>1,352,742</b>	<b>2,300</b>	<b>-</b>	<b>-</b>	<b>1,355,042</b>	<b>954,082</b>	<b>400,960</b>	<b>70%</b>

Fund 515 Harbor Electrical								
Revenues:								
Non-Meter Charge	20,000				20,000	16,885	4,115	79%
Customer Charge recurring	115,000				115,000	75,416	39,585	66%
Connect/Disconnect fee	7,000				7,000	6,440	560	92%
Energy Charge	500,000	30,000			530,000	465,188	64,812	88%
Record Fee	1,000				1,000	645	355	65%
HM Service	3,000				3,000	3,652	(652)	122%
Interest on Investments	1,000				1,000	185	815	18%
Approp from Retained Earnings	(16,087)				(16,087)	-	(16,087)	0%
Transfer	-				-	-	-	
Revenues:	<b>630,913</b>	<b>30,000</b>	<b>-</b>	<b>-</b>	<b>660,913</b>	<b>567,410</b>	<b>93,503</b>	<b>86%</b>

Expenditures:								
Electric Utility Administration	535,500	30,000			565,500	472,235	93,265	84%

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	Adopted Budget 2012	Capital Project Rollover 2011	Supplemental #1 2012	Supplemental #2 2012	Total Budget 2012	As of 2/29/2012	Difference	%
Electric Utility Interfund Expenditures:	95,413	-	30,000	-	95,413	95,413	-	100%
	<b>630,913</b>				<b>660,913</b>	<b>587,648</b>	<b>93,265</b>	<b>86%</b>
<b>Fund 550 Water Utility</b>								
Revenues:								
PERS Relief	28,820		8,970		37,790		37,790	0%
Water Sales Metered	1,108,100		132,972		1,241,072	849,399	391,673	68%
Water Sales City	908,720		109,046		1,017,766	732,270	285,496	72%
Water Sales Borough	590,850		70,902		661,752	485,739	176,013	73%
Water Service Connections	8,430		1,012		9,442	640	8,802	7%
Interest on Investments	30,000		-		30,000	2,468	27,532	8%
Other Revenues	20,000		20,000		40,000	10,026	9,974	50%
Approp From Retained Earnings	242,301		208,450		450,751	-	450,751	0%
Revenues:	<b>2,937,221</b>		<b>531,352</b>		<b>3,468,573</b>	<b>2,080,541</b>	<b>1,388,032</b>	<b>60%</b>
Expenditures:								
Water Utility Transfers	290,000		510,382		800,382	1,182,289	(381,907)	148%
Water Utility	2,318,321		20,970		2,339,291	1,411,673	927,618	60%
Water Treatment Plant	328,900		-		328,900	151,938	176,963	46%
Expenditures:	<b>2,937,221</b>		<b>531,352</b>		<b>3,468,573</b>	<b>2,745,899</b>	<b>722,674</b>	<b>79%</b>
<b>Fund 570 Sewer Utility</b>								
Revenues:								
PERS Relief	44,030		14,480		58,490		58,490	0%
Sewer Service Charges - City	2,022,000		101,100		2,123,100	1,535,785	587,315	72%
Sewer Service Charges - Outside	1,050,000		52,500		1,102,500	824,801	277,699	75%
Sewer Connections	6,000		300		6,300	2,153	4,147	34%
Septic Truck Discharge	34,000		1,700		35,700	28,259	7,441	79%
Lab Testing Fee	19,000		950		19,950	15,768	4,182	79%
Interest on Investments	40,000		-		40,000	828	39,172	2%
Other Revenues	-		(150,110)		919,570	1,323	(1,323)	0%
Approp From Retained Earnings	1,069,680		20,900		1,090,580	-	919,570	0%
Revenues:	<b>4,284,710</b>		<b>20,900</b>		<b>4,305,610</b>	<b>2,408,918</b>	<b>1,896,692</b>	<b>56%</b>
Expenditures:								
Sewer Utility Transfers	515,000		-		515,000	515,000	-	-
Sewer Utility	675,202		2,710		677,912	412,889	265,023	61%
Wastewater Treatment Plant	3,094,508		18,190		3,112,698	1,777,586	1,335,112	57%
Expenditures:	<b>4,284,710</b>		<b>20,900</b>		<b>4,305,610</b>	<b>2,705,475</b>	<b>1,600,135</b>	<b>63%</b>
<b>Fund 580 Trident Basin</b>								
Revenues:								
Trident Basin - Charges	11,000		-		11,000	583	10,417	5%
Interest on Investments	1,000		-		1,000	-	1,000	0%
Rentals from Others	30,500		22,591		30,500	22,591	7,909	74%
Approp From Retained Earnings	306,311		-		306,311	-	306,311	0%
Transfer from Trident Basin Capital Fund	-		-		-	301	(301)	0%
Revenues:	<b>348,811</b>				<b>348,811</b>	<b>23,475</b>	<b>325,336</b>	<b>7%</b>
Expenditures:								
	<b>348,811</b>				<b>348,811</b>	<b>201,195</b>	<b>147,616</b>	<b>58%</b>
<b>Fund 585 E-911 Services</b>								
Revenues:								
PERS Relief	270		80		350	-	350	0%
Customer Charges	66,290		-		66,290	66,287	3	100%
Interest on Investments	1,000		-		1,000	-	1,000	0%
Approp From Retained Earnings	6,160		(275,000)		(268,840)	-	(268,840)	0%

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Transfer from General Capital Projects  
 Transfer from General Fund  
 Revenues:

Adopted Budget 2012	Capital Project Rollover 2011	Supplemental #1 2012	Supplemental #2 2012	Total Budget 2012	As of 2/29/2012	Difference	%
-	-	275,000	-	275,000	275,000	-	100%
73,720	-	80	-	73,800	341,287	(267,487)	462%
73,720	-	80	-	73,800	4,183	69,617	6%

Expenditures:

Fund 780 Self-Insurance

Revenue:	Expenditures:	%		
Interest on Investments	5,000	2%		
Insurance Refund/Reserve	15,000	11%		
Charges to General Fund	298,500	100%		
Charges to Trident Basin	8,500	100%		
Charges to Cargo Terminal	71,100	100%		
Charges to Boat Harbor	94,000	100%		
Charges to Boat Yard	2,000	100%		
Charges to Boat Electric	1,000	100%		
Charges to Water Utility	18,000	100%		
Charges to Sewer Utility	41,000	100%		
Charges to E-911	600	100%		
Approp Fund	465,000	0%		
Revenues:	1,019,700	536,446	483,254	53%

Expenditures:

Insurance Expenses	1,019,700	859,624	160,076	84%
Expenditures:	1,019,700	859,624	160,076	84%

Non Capital Projects Revenue  
 Non Capital projects Expenses

33,665,571	-	3,795,492	143,236	37,604,299	20,364,770	17,179,797	54%
33,665,571	-	3,795,492	143,236	37,604,299	26,773,350	10,830,949	71%
-	-	-	-	-	(6,408,580)	6,348,848	

Capital Projects Revenue  
 Capital Projects Expenses

5,230,230	21,522,950	15,234,645	21,850	42,009,675	18,102,453	23,696,363	43%
5,230,230	21,522,950	15,234,645	21,850	42,009,675	15,983,663	26,026,012	38%
-	-	-	-	-	2,118,790	(2,329,646)	

Total Revenues  
 Total Expenses

38,895,801	21,522,950	19,030,137	165,086	79,613,974	38,467,224	40,876,160	48%
38,895,801	21,522,950	19,030,137	165,086	79,613,974	42,757,013	36,856,961	54%
-	-	-	-	-	(4,289,790)	4,019,199	

Total Non-Capital Projects for FY  
 Total Capital Projects for FY

33,665,571	-	3,795,492	143,236	37,604,299	37,604,299	-	
5,230,230	-	15,234,645	21,850	42,009,675	42,009,675	-	
38,895,801	\$	19,030,137	\$	165,086	\$	79,613,974	

57,925,938	165,086	58,091,024					
79,613,974		79,613,974					



**CITY OF KODIAK  
FY 2012 Supplemental #2**

**Attachment B  
General Fund**

Sources of Revenues		Description	Amount
100	State Grants	Received Library Grant	\$ 1,836
	Vehicle Replacement	Estimate Departmental payments from 1/1/2012	\$ 21,850
	Use of Fund Balance	Appropriation from Fund Balance Adjustment	\$ (2,380,450)
			\$ (2,356,764)
Uses			
140	Police Department		
	Vehicle Replacement	Vehicle payments for replacement policy	\$ 3,900
	Rental 100.140.144 Support Services	Warehouse Rental	\$ 15,000
	Utilities 100.140.142 Corrections	Higher than estimated utilities	\$ 20,000
160	Public Works		
	Vehicle Replacement	Vehicle payments for replacement public works	\$ 17,950
	Equipment 160.164 Building Inspectors	Community Development Software (reimbursement from KIB)	\$ 62,700
180	Library		
	State Grants	Grant award	\$ 1,836
198	Non-Department Department		
	Transfers 390.302	Rev Transfer from General Fund to New Library Project 6012	\$ (2,000,000)
	Transfers 390.309	Rev Transfer from General Fund to Baranof Field Project 9001	\$ (500,000)
	Transfers 390.315	Transfer from General Fund to Vehicle Replacement Capital Project #4900	\$ 21,850
			\$ (2,356,764)

**Enhancement Fund**

Sources of Revenues			
299	Use of Fund Balance	Appropriation from Fund Balance Adjustment	\$ 2,500,000
			\$ 2,500,000
	Transfer to 390.302.	Transfer from General Fund to New Library Project 6012	\$ 2,000,000
	Transfer to 390.309	Transfer from General Fund to Baranof Field Project 9001	\$ 500,000
			\$ 2,500,000

**General Capital Projects**

Sources of Revenues			
315	Transfer 390.100	Transfer from General Fund for Project 4900 Vehicle Replacement Capital	\$ 21,850
			\$ 21,850
Uses			
4900	Vehicle Replacement Capital	Payments from 1/1/2012 - 6/30/2012	\$ 21,850
			\$ 21,850

**Building Improvement Fund**

Sources of Revenues			
302	Transfer 390.299	Transfer from Enhancement Fund for Project 6012 New Library	\$ 2,000,000
	Reverse Transfer 390.100	Reverse Transfer from General Fund for Project 6012	\$ (2,000,000)
			\$ -
Uses			
6012	New Library Project 6012	New Library Project	\$ -
			\$ -

**Parks & Recreation Capital Projects**

Sources of Revenues			
309	Transfer 390.299	Transfer from Enhancement Fund for Project 9001 Baranof Park Improvements	\$ 500,000
	Reverse Transfer 390.100	Reverse Transfer from General Fund for Project 9001	\$ (500,000)
			\$ -
Uses			
9001	Baranof Park Improvements	Baranof Park Improvements	\$ -
			\$ -
<b>Total Supplemental #2</b>			<b>\$ 165,086</b>

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# **NEW BUSINESS**

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## MEMORANDUM TO COUNCIL

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**To:** Mayor Branson and City Councilmembers

**From:** Aimée Kniazowski, City Manager 

**Date:** April 26, 2012

**Agenda Item:** V.a. **First Reading, Ordinance No. 1297, Amending Kodiak City Code 3.08.010 (B), Levy of Sales Tax, to Increase the Rate of Sales Tax From Six Percent to Seven Percent on All Sales, Rentals, and Services Made Within the City Other Than Rentals of Transient Rooms; Amending Kodiak City Code 3.08.110 (B). Tax Schedule, to Reflect the Increase in the Sales Tax Rate; and Amending Kodiak City Code 3.08.120 (A), Maximum Taxable Sale, to Increase the Maximum Amount of a Single Transaction Subject to Taxation From \$750.00 to \$3,500.00**

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**SUMMARY:** Council and staff have discussed how to bridge the substantial annual revenue shortfalls of \$3 to \$4 million since early 2011. The City has been using fund balance to cover the gap between revenues and increased expenses since about 2007. The fund balance continues to diminish, which will limit the City's ability to maintain its fiscal obligations. After many months of work, Council and staff held a special planning meeting in January 2012 to discuss how the City could meet current operational obligations, maintain existing services and infrastructure, manage investments and debt capacity, and cover unexpected or emergency expenses. They also discussed how to plan for and afford the replacement of aging infrastructure. Council recognized that the City could not continue to defer action and had to either increase revenues or cut services to balance the budget and meet required General Fund reserves. Council decided to increase revenues by raising the sales tax and the sales tax cap in order to fund current needs without dipping in to the fund balance each year. Ordinance No. 1297 amends Kodiak City Code 3.08 and reflects the direction of Council discussion in January 2012. Staff recommends Council pass Ordinance No. 1297 in the first reading and advance to second reading and public hearing at the next regular or special meeting.

**PREVIOUS COUNCIL ACTION:**

- 1956, Council initiated a 2% sales tax.
- Sales tax rate was increased to 3% in 1961, 5% in 1969, and 6% in 1993.
- 2004, Council raised the sales tax cap from \$500 to \$750 on eligible purchases.
- Council discussed possible options to raise revenues at the February 26, 2011, annual planning meeting and again at a work session on July 26, 2011.
- January 14, 2012, Council held a special planning meeting to discuss financial preconditions necessary to develop a five-year capital improvement plan/asset management plan to care for the existing infrastructure and resources and to plan for the future. Council reviewed multiple scenarios which led to the establishment of policy to increase revenues.

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Agenda Item V.a. Memo Page 1 of 4

- April 24, 2012, work session, Council reviewed the outcome of the January planning meeting and introduced the plan to increase revenues.

**DISCUSSION:** The City's General Fund revenues have remained relatively stable over the years and are used to pay for government services like police, fire, finance, library, parks and recreation, public works, and other primary governmental functions. The major source of revenue in the General Fund is the local sales tax, which makes up approximately 54% of the fund revenues. The next largest source comes from various state revenue sources and contributes about 12% of General Fund revenues. This source is unpredictable, and the City has no control over revenue received from these external sources. Property taxes make up only 5% of the General Fund revenues. The City's mill rate has been set at 2 mills since 1985, and while the tax is predictable, it provides only minimal revenues to the General Fund.

The City has not increased its primary source of revenue, sales tax, in 20 years, but the cost of doing business for the City has risen dramatically since 1993, as it has for local residents and businesses. The adjusted CPI has risen over 30% since 1999 alone. The City pays more for personnel costs, supplies, and equipment now than it did in 1993. It costs more to maintain, repair, upgrade or replace important infrastructure like roads, buildings, airports, utility systems, parks, and docks. It costs more to meet unfunded state and federal mandates like the UV treatment plant and the wastewater discharge permits and regulatory requirements like OSHA, EPA stormwater treatment and prevention plans, and spill prevention plans and systems.

The City is conservative and careful in developing operating budgets every year to contain and absorb as many cost increases as possible. However, it simply costs more to operate and manage the City than it takes in in revenues each year. Rather than increase revenues or reduce services, the City has deferred action and has been using fund balance to offset cost increases and meet matching grant requirements and capital needs since at least 2007. The General Fund balance is being relied on to balance the budget each year and is not being replenished because revenues remain static. Revenue decisions cannot be deferred much longer, because the fund balance continues to diminish, and the City is required to maintain adequate operating reserves. The City cannot continue to use up the fund balance and still meet reserve requirements of between two to six months of operating funds and have adequate funds available to make necessary budget adjustments to cover unexpected cost increases, make emergency repairs, and meet governmental mandates and regulatory requirements.

Starting in January 2011, the Council began discussions about the need to increase revenues and reviewed options for doing so. Staff identified a series of revenue options for Council and presented them at a meeting in July 2011. Council wanted to discuss revenue generating options further and asked staff to identify sources and scenarios to bridge the annual revenue shortfalls of between \$3 and \$4 million.

The Council held a planning session in January 2012 to identify what financial preconditions would be necessary to develop a five-year capital improvement plan/asset management plan to care for the existing infrastructure and resources and to plan for the future. Council identified the goal of maintaining Kodiak as a viable community with a solid future. This discussion resulted in Council's policy decision to increase revenues to cover current costs and meet current needs, to avoid the use of fund balance to balance the budget each year, and to take steps to replenish the fund balance before it fell below the required operational reserves. The most effective way to meet current needs and cover the large annual shortfalls without using fund balance requires an increase in the sales tax and increasing or eliminating the sales tax cap. After reviewing several revenue scenarios, Council decided to increase the sales tax to 7% and increase the sales tax cap to \$3,500 which is estimated to generate an additional \$3 million per year.

Staff worked with the City Attorney to draft the proposed amendments to sections of KCC 3.08 as follows:

- An amendment to Section 3.08.010(b) is proposed to increase the sales tax to seven percent for all sales, rentals, and services within the City, except for transient room rentals.
- The tax table in Section 3.08.110 reflects the proposed 1% sales tax increase.
- Section 3.08.120(a) is amended to reflect an increase in the sales tax cap from \$750 to \$3,500.

**ALTERNATIVES:**

1. Pass Ordinance No. 1297 in the first reading and advance to the second reading at the next regular or special Council meeting. This is staff's recommendation because it meets the financial needs of the City as discussed over the course of several years.
2. Amend the ordinance, which is not recommended, because there are no other means to meet revenue shortfalls of \$3 to \$4 million annually.
3. Do nothing, which is not recommended, because it does not address rising costs and prevents Council from reaching its long-term goals. This alternative will result in reduced services to offset continuing cost increases.

**FINANCIAL IMPLICATIONS:** When the ordinance is adopted and becomes effective, the City estimates it can generate about \$3 million per year and should cover all or most of the annual shortfall and no longer need to use fund balance to balance the budget. This will allow the City to meet its current obligations and allow the fund balance to grow again for the first time in many years.

**LEGAL:** The City Attorney discussed the required actions necessary to introduce the code changes and prepared the ordinance.

**STAFF RECOMMENDATION:** Staff recommends Council support the amendments as identified in this memo and the attached ordinance to ensure the City can continue to meet its fiscal obligations, protect and restore the fund balance, and continues to deliver the services the community expects.

**CITY MANAGER'S COMMENTS:** I recognize that raising taxes is a challenge for the City and the community. However, steps have to be taken to bridge the yearly gap in what it costs to run the City versus what is received in revenues. The need to address the shortfall has been discussed many times since 2007 and especially since early 2011. Council held a vigorous discussion at their January 2012 planning meeting and decided to set a policy to ensure Kodiak has a solid future by increasing revenues to meet cost increases and thereby protect the fund balance. I support Council's direction to increase the sales tax and the sales tax cap and will continue to work with staff to remain fiscally accountable.

**ATTACHMENTS:**

- Attachment A: Ordinance No. 1297
- Attachment B: City's five-year revenue projections
- Attachment C: Revenue increase calculations

**PROPOSED MOTION:**

Move to pass Ordinance No. 1297 in the first reading and advance to second reading and public hearing at the next regular or special Council meeting.

**CITY OF KODIAK  
ORDINANCE NUMBER 1297**

**AN ORDINANCE AMENDING KODIAK CITY CODE 3.08.010(B), LEVY OF SALES TAX, TO INCREASE THE RATE OF SALES TAX FROM SIX PERCENT TO SEVEN PERCENT ON ALL SALES, RENTALS, AND SERVICES MADE WITHIN THE CITY OTHER THAN RENTALS OF TRANSIENT ROOMS; AMENDING KODIAK CITY CODE 3.08.110(B), TAX SCHEDULE, TO REFLECT THE INCREASE IN THE SALES TAX RATE; AND AMENDING KODIAK CITY CODE 3.08.120(A), MAXIMUM TAXABLE SALE, TO INCREASE THE MAXIMUM AMOUNT OF A SINGLE TRANSACTION SUBJECT TO TAXATION FROM \$750.00 TO \$3,500.00**

BE IT ORDAINED by the Council of the City of Kodiak, Alaska, that:

**Section 1:** Subsection (b) of Kodiak City Code 3.08.010, Levy of sales tax, is hereby amended to read as follows:

(b) A sales tax of ~~six (6)~~ **seven (7)** percent of the sales price or charge is levied on all sales, rentals, and services made within the city, other than rentals of transient rooms.

**Section 2:** Subsection (b) of Kodiak City Code 3.08.110, Tax schedule, is hereby amended to read as follows:

(b) The amount of tax to be added to the purchase price, rental, or service charge, other than rentals of transient rooms, shall be determined in accordance with the following schedule:

Charge	Tax
Under <del>9</del> <b>8</b> cents	None
\$ <del>.09-.08</del> through \$ <del>.24-.21</del>	\$ .01
<del>.25-.22</del> through <del>.41-.35</del>	.02
<del>.42-.36</del> through <del>.58-.49</del>	.03
<del>.59-.50</del> through <del>.74-.64</del>	.04
<del>.75-.65</del> through <del>.91-.78</del>	.05
<del>.92-.79</del> through <del>1.08-.92</del>	.06
<del>1.09-.93</del> through <del>1.24-1.07</del>	.07
<del>1.25-1.08</del> through <del>1.41-1.21</del>	.08
<del>1.42-1.22</del> through <del>1.58-1.35</del>	.09
<del>1.59-1.36</del> through <del>1.74-1.49</del>	.10
<del>1.75-1.50</del> through <del>1.91-1.64</del>	.11
<del>1.92-1.65</del> through <del>2.08-1.78</del>	.12
Over \$ <del>2.09</del> <b>1.78</b>	Continue on same scale.

**Section 3:** Subsection (a) of Kodiak City Code 3.08.120, Maximum taxable sale, is hereby amended to read as follows:



(a) If the sales price of an item or items or the charge for rental of any property or performance of any service exceeds three thousand five ~~seven~~ hundred ~~fifty~~-dollars for a single transaction, that portion of the price or charge in excess of three thousand five ~~seven~~ hundred ~~fifty~~-dollars shall be exempt from the tax levied by this chapter.

**Section 4:** This ordinance shall be effective one month after its final passage and publication in accordance with Kodiak Charter Section 2-13.

CITY OF KODIAK

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MAYOR

ATTEST:

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CITY CLERK

First Reading:  
Second Reading:  
Effective Date:

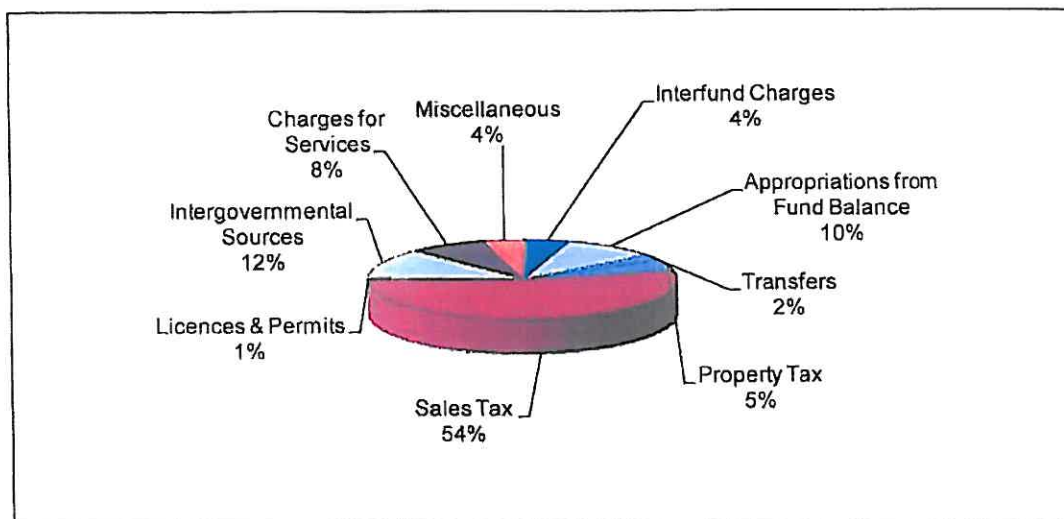
## Fiscal Year 2013- 2016 Revenue & Expense Forecast

Governments find themselves in a difficult position when it comes to providing services and raising revenue; they seek to provide services while minimizing the apparent cost to the taxpayer. In order to develop the fiscal year 2013 budget, three major funds have been forecast to show the projected trends in revenues and expenses for fiscal years 2013 through 2016. The General Fund, Harbor Funds, and Water & Sewer Funds have been forecast based on a regression analysis forecasting method. This is a technique in which a straight line is fit to actual values from fiscal years 2007 through 2011, and the adopted budget for fiscal year 2012 to forecast the future. The forecasts seek to estimate the City's future positions if the status quo is maintained and to identify areas that may need to be addressed in order to protect the City's future ability to maintain adequate fund balance reserves.

### GENERAL FUND

The General Fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in another fund. Principal sources of revenue are (Fig.1) sales tax, property tax, charges for services, and intergovernmental revenues. Primary expenditures (Fig.2) are for general government administration, public safety, public works, public recreation and transfers to other funds. The departments found within the General Fund include: Legislative/Legal, Executive, City Clerk, Finance, Police, Fire, Public Works, Engineering, Parks and Recreation, Library and Non-Departmental which is used for city wide expenses.

**Figure 1: General Fund - FY 2012 Budgeted Revenues**



The following applies to Fig.1 above:

**Taxes** - Includes property tax and sales tax. The real-property assessment role is final by June 1, causing tax revenue projections to be estimated prior to knowing the actual amounts of the assessment role. Sales tax revenues are collected on a quarterly basis, causing a lag time in annual projections.

**Licenses and Permits** – Includes permits for taxicabs, buildings, electrical, plumbing, animal licenses and other miscellaneous licenses.

**Intergovernmental Sources** –Includes State of Alaska Raw Fish Tax Sharing; Shared Fisheries Business Tax; Fuel, Alcohol and Utility Revenue Sharing; State grants and miscellaneous sources. The Alaska State legislative session coincides with the City's budgetary calendar, causing estimates to be based on historical data for the State funding levels to local governments. As the State budget is fine-tuned, adjustments are also made to the City's revenue estimates.

**Charges for Services** – Includes those services performed for the public associated with the following departments: police, fire, public works, parks and recreation, library, as well as miscellaneous administrative services.

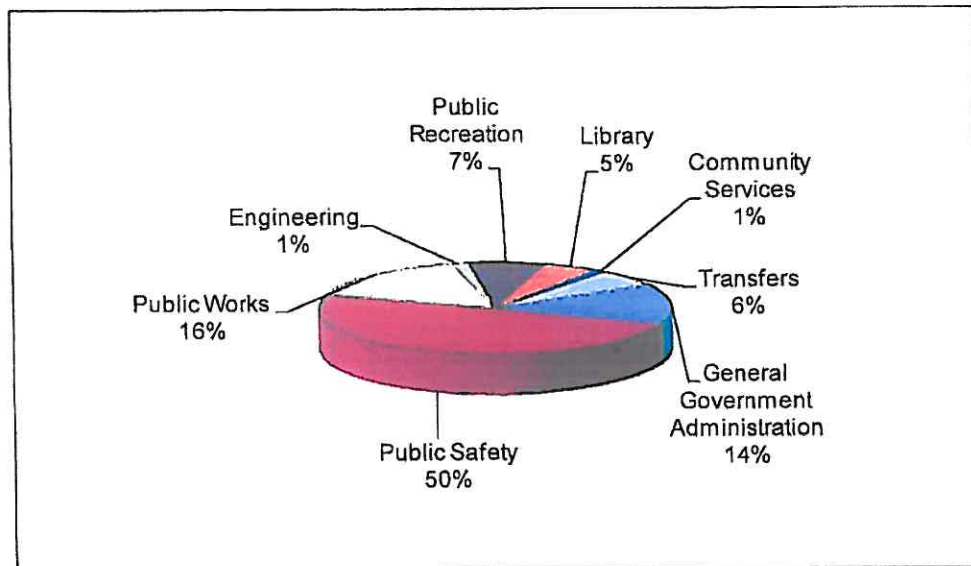
**Miscellaneous** – Includes fines and forfeitures, interest, rents and royalties, judgments, restitutions, asset sales, and other revenues.

**Interfund Charges** – Includes the allocation of monies between funds to cover services rendered.

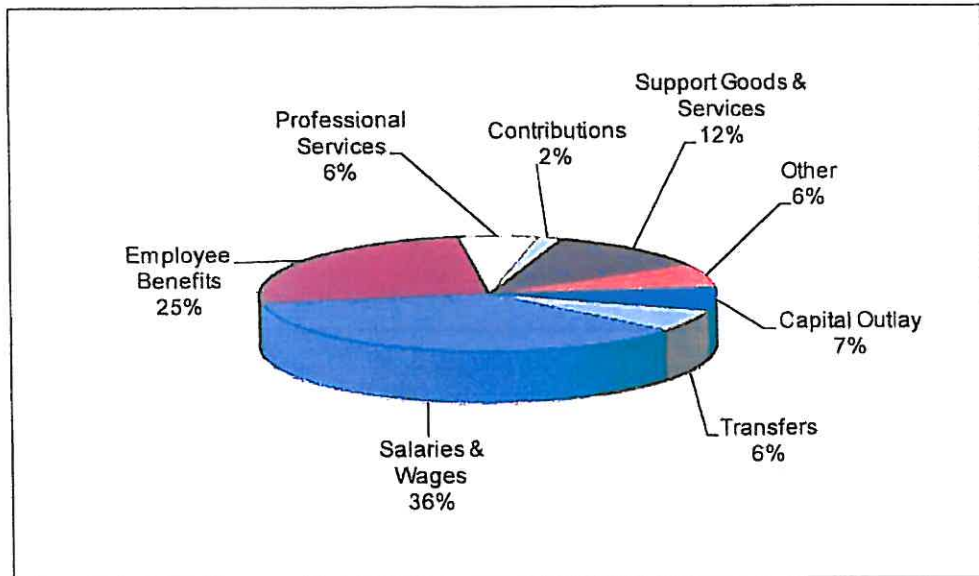
**Transfers** – Other Financing Sources (Uses). Includes the transfer of monies between funds to cover expenses without a requirement of repayment.

**Use of Fund Balance** – Relates to Net Change in Fund. This is the amount of fund balance used to balance the General Fund budget.

**Figure 2: General Fund - FY 2012 Budgeted Expenditures by Function**



**Figure 3: General Fund - FY 2012 Budgeted Expenditures by Account Classification**



The following applies to Figure 3 above:

**Salaries & Wages** – Includes all wages paid to City employees for administrative and service delivery functions. Includes salaries and wages, temporary wages, overtime, holiday pay, sick and annual leave.

**Employee Benefits** – Includes group insurance, Social Security and Medicare payments, retirement contributions, unemployment compensation, and workman's compensation.

**Professional Services** – Includes all services contracted out.

**Contributions** – Includes contributions made to various local non-profit agencies.

**Support Goods & Services** - Includes expenditures for communications, advertising, dues and subscriptions, training and travel, supplies, and equipment rental.

**Public Utility Services** – Includes electric, fuel oil, garbage, and any other utilities.

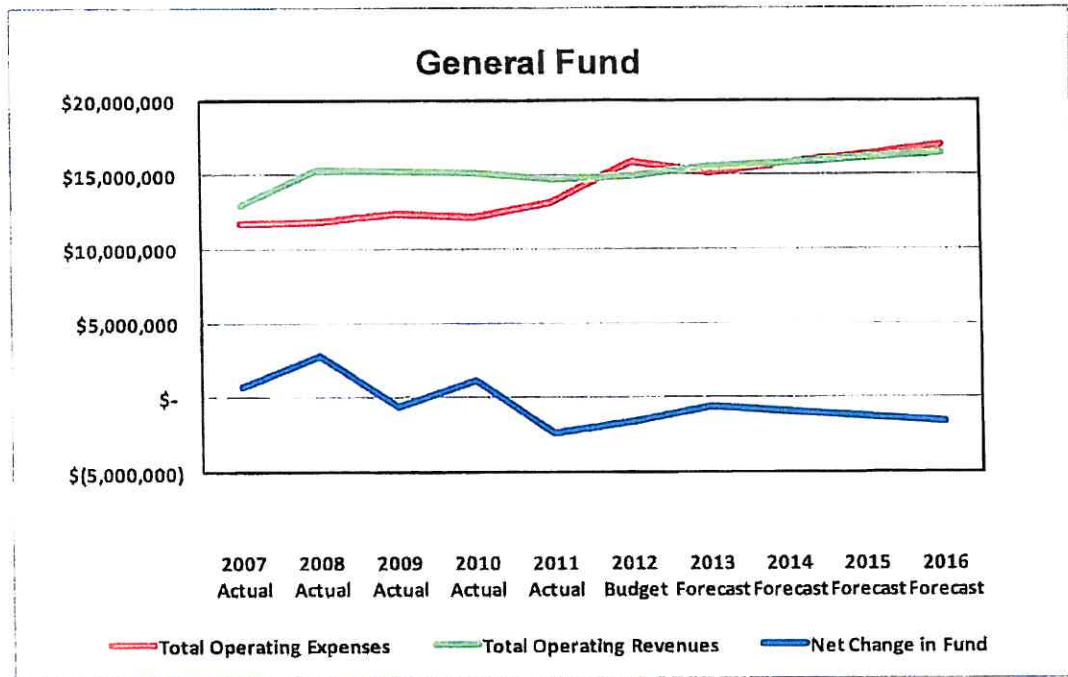
**Other** – Includes miscellaneous expenses.

**Capital Outlay** - Includes equipment purchases greater than \$5,000.

**Transfers** – Other Financing Sources (Uses). Includes transfers from the General Fund to other funds.



Figure 4: General Fund Forecast - Actual 2007-2011, Budgeted 2012, Forecast 2013-2016



Actual operating revenues have been greater than actual operating expenses from fiscal year 2007 through fiscal year 2011 (Fig.4). In fiscal year 2012, the adopted budget for operating revenues is less than the budget for operating expenses. This will result in a loss before any transfers are accounted for. Historically the City of Kodiak has used fund balance to balance the general fund budget. Over time the fund balance has been used without a plan to replenish it.

Under the City Sales Tax code 3.08.025, Allocation of Sales Tax, \$500,000 is allocated to harbor improvement capital projects, \$450,000 to street improvement capital projects, and \$50,000 to parks and recreation capital projects annually. This transfer contributes to the decline each year in fund balance forecasted from fiscal year 2013 through 2016.

The revenue sources for the general fund have been somewhat stable with sales tax (54%) (Fig.1) as the largest source of revenue. Sales tax can generate a great deal of revenue, it is relatively easy to collect, its costs to the taxpayer are opaque, and it is elastic (expands and contracts with the economy). In addition, because it is paid as a percentage of an item's cost, it automatically adjusts during inflationary periods. Unfortunately, it also is regressive, more volatile, and seasonal than property taxes, and relies on the cooperation of retailers.

Property tax makes up 5% of the total revenue for the general fund. The greatest advantage of property tax is its stability during economic downturns. It has been the most unpopular tax because unlike other taxes, it taxes an asset that may not generate any income for the taxpayer and is due in a lump sum.

The second largest revenue source is the intergovernmental revenues (12%) which are revenues received from the State. These revenues can be volatile and unpredictable. Unlike the sales and property tax that the City Council can control, the City has little control over the intergovernmental revenues received.

The trend for the general fund revenues is declining while the trend for expenses is increasing resulting in an increasing use of fund balance. The fund balance cannot sustain this decline and will decline to a point which will be below the recommended practice of two months of operating expense reserves.

Salaries and benefits are the largest expense in the General Fund, or 61% (Fig.3) of the total expense budget, with support goods and services at 12%. Continued increases in health insurance costs have caused significant increases in the benefit category. The City is faced with increased expenses due to inflation, increases in utilities, equipment replacement, and repairs and maintenance to an aging infrastructure. Overall expenses are estimated to increase at a greater rate than revenues beginning in fiscal year 2012 (Fig.4).

The trends and consequent projections indicate that the City will need to take action to increase revenues, decrease expenses, or some combination of both in order to maintain a viable financial position.

Table 1 on the next page shows the detail for the actual, budget and forecasted fiscal years. It is important to note that these forecasts do not include future planned capital projects, which would place further demands on the fund balances. .



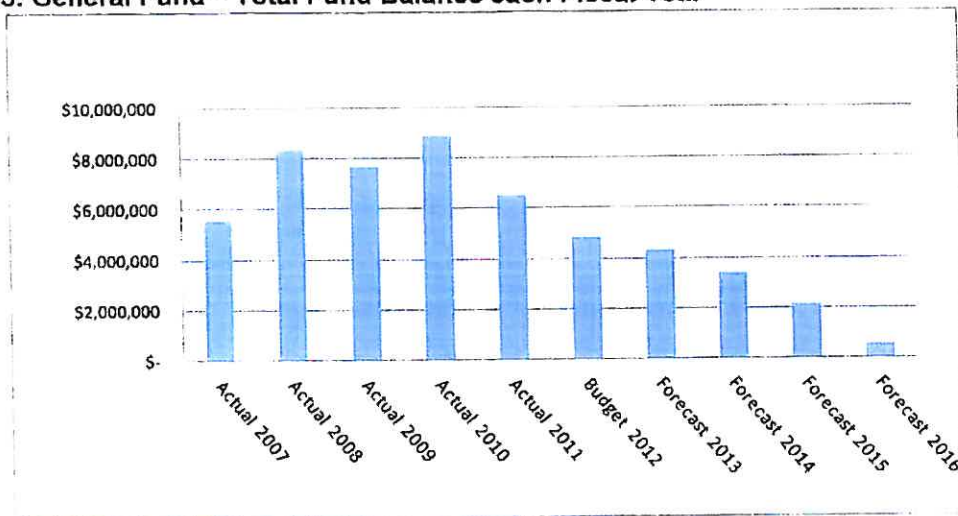
**TABLE 1: Forecast Analysis - Income Statement with forecast values along a linear trend using existing values 2007-2012**

GENERAL FUND	Actual	Actual	Actual	Actual	Actual	Budget	Forecast	Forecast	Forecast	Forecast
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Fund Revenues</b>										
Property Tax	632,102	659,440	651,699	665,999	765,539	773,500	795,339	825,041	854,744	884,446
Sales Tax	8,489,795	8,875,306	9,308,960	9,404,891	9,654,542	9,125,000	9,703,996	9,884,266	10,024,537	10,184,807
Licenses & Permits	51,535	102,748	76,679	70,489	93,193	75,000	86,521	88,877	91,234	93,590
PERS Relief	203,176	353,911	640,340	269,592	407,269	427,540	474,753	500,785	526,818	552,851
State Revenue Sharing	240,365	778,085	389,286	400,759	428,304	430,000	435,497	432,934	430,371	427,808
Department of Revenue - Fish Tax	760,099	823,097	946,635	1,046,010	740,229	1,000,000	991,039	1,021,047	1,051,055	1,081,063
DCED Shared Fisheries Tax	68,674	62,581	70,855	70,933	87,810	70,000	80,048	82,402	84,757	87,111
Fuel Tax Sharing	6,728	6,955	6,634	5,993	6,215	6,500	6,104	5,990	5,875	5,761
Other Intergovernmental Revenues	121,124	106,154	109,190	95,647	79,664	109,100	88,157	83,791	79,416	75,041
Police General	785,835	752,476	774,075	707,836	997,627	1,045,840	1,040,872	1,097,136	1,153,400	1,209,664
KIB Revenues	308,797	292,806	269,811	272,873	178,930	140,000	125,615	91,827	58,040	24,253
Parks & Recreation	117,557	107,881	98,194	117,300	121,688	116,000	118,378	119,884	121,391	122,898
Library	19,413	18,623	18,941	18,580	15,467	19,000	17,148	16,808	16,469	16,129
Other Charges for Services	73,027	47,618	71,872	77,789	42,394	70,700	61,761	61,150	60,539	59,927
Fines & Forfeitures	29,452	55,229	20,122	23,514	6,156	20,500	6,970	1,582	1,000	1,000
Interest	217,721	283,602	234,671	31,162	24,500	60,000	30,000	30,000	30,000	30,000
Rents & Royalties	128,906	97,030	173,089	157,686	125,476	150,000	156,238	161,250	166,261	171,273
Miscellaneous	59,772	1,200,191	762,229	1,066,199	288,423	503,800	616,316	608,568	600,819	593,071
Interfund Charges	609,740	760,429	690,920	678,820	662,622	790,378	758,585	775,661	792,738	809,814
<b>Total Operating Revenues</b>	<b>12,923,818</b>	<b>15,384,163</b>	<b>15,314,201</b>	<b>15,181,871</b>	<b>14,706,050</b>	<b>14,932,858</b>	<b>15,593,346</b>	<b>15,869,002</b>	<b>16,149,464</b>	<b>16,430,508</b>
<b>Fund Operating Expenses</b>										
Salaries & Wages	4,870,631	5,036,785	5,168,357	5,213,895	5,480,849	6,173,610	6,113,417	6,339,006	6,564,595	6,790,185
Fringe Benefits	3,474,894	3,337,676	3,315,039	3,019,330	3,463,215	4,315,475	3,915,988	4,038,381	4,160,776	4,283,170
Professional Services	602,053	558,970	627,702	654,944	812,982	940,626	947,761	1,018,679	1,089,597	1,160,516
Contributions	212,180	232,564	226,853	232,638	226,218	279,800	267,526	276,808	286,089	295,370
Support Goods & Services	1,536,968	1,655,159	1,619,069	1,735,339	1,721,232	1,983,852	1,970,161	2,044,415	2,118,670	2,192,924
Utility Services	392,152	493,199	443,579	503,316	547,851	535,234	579,799	606,630	633,461	660,293
Administrative Services	21,939	27,447	23,687	33,275	34,559	36,000	39,607	42,499	45,392	48,284
Capital Outlays	603,918	316,215	492,152	322,994	333,557	1,161,041	805,161	881,404	957,646	1,033,889
Interest Expense	-	168,021	512,227	530,740	528,490	520,990	530,000	530,000	530,000	530,000
<b>Total Operating Expenses</b>	<b>11,714,735</b>	<b>11,825,036</b>	<b>12,428,664</b>	<b>12,246,468</b>	<b>13,148,953</b>	<b>15,956,628</b>	<b>15,169,418</b>	<b>15,777,822</b>	<b>16,386,226</b>	<b>16,994,631</b>
<b>Operating Gain (Loss)</b>	<b>1,209,083</b>	<b>3,559,127</b>	<b>2,885,536</b>	<b>2,935,403</b>	<b>1,557,097</b>	<b>(1,023,770)</b>	<b>423,928</b>	<b>91,180</b>	<b>(236,763)</b>	<b>(564,123)</b>
<b>Other Financing Sources (Uses)</b>										
GOB Issuance	-	8,000,000	-	-	-	-	-	-	-	-
Transfers In	924,796	1,528,024	1,626,843	531,870	96,288	400,000	-	-	-	-
Transfers Out	(1,433,470)	(10,350,205)	(5,118,473)	(2,318,826)	(3,999,224)	(1,015,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
<b>Net Other Financing Sources (Uses)</b>	<b>(508,674)</b>	<b>(822,181)</b>	<b>(3,491,630)</b>	<b>(1,786,956)</b>	<b>(3,902,936)</b>	<b>(615,000)</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>
<b>Net Change in Fund</b>	<b>700,408</b>	<b>2,736,946</b>	<b>(606,093)</b>	<b>1,148,447</b>	<b>(2,345,839)</b>	<b>(1,638,770)</b>	<b>(576,072)</b>	<b>(908,820)</b>	<b>(1,236,763)</b>	<b>(1,564,123)</b>
<b>Net Assets at Beginning of Year</b>	<b>4,872,862</b>	<b>5,573,270</b>	<b>8,310,217</b>	<b>7,704,123</b>	<b>8,852,570</b>	<b>6,506,731</b>	<b>4,867,961</b>	<b>4,291,889</b>	<b>3,383,069</b>	<b>2,146,306</b>
<b>Net Assets at End of Year</b>	<b>5,573,270</b>	<b>8,310,217</b>	<b>7,704,123</b>	<b>8,852,570</b>	<b>6,506,731</b>	<b>4,867,961</b>	<b>4,291,889</b>	<b>3,383,069</b>	<b>2,146,306</b>	<b>582,183</b>

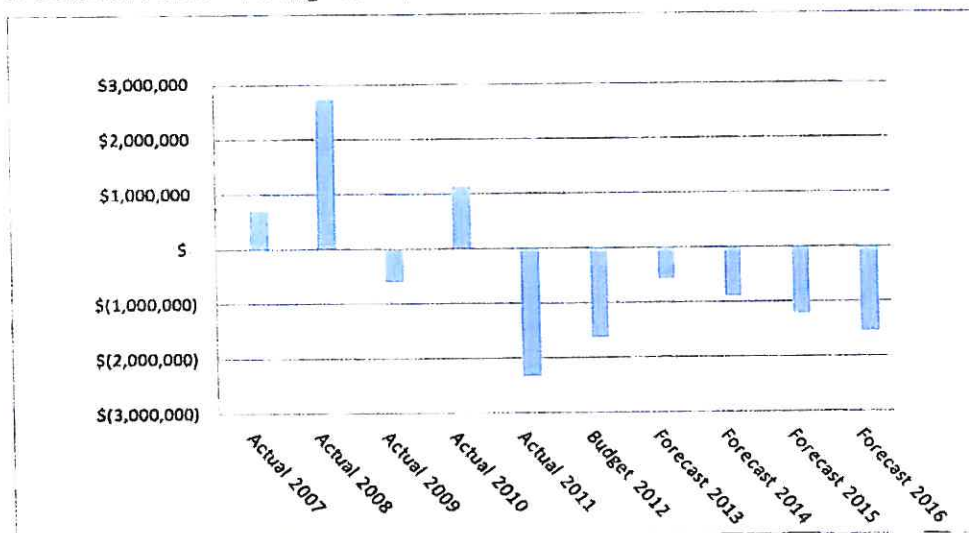
## General Fund – Fund Balance

Figure 5 below shows the total fund balance each fiscal year and Figure 6 shows the change in fund balance each fiscal year or the use of fund balance per fiscal year. In fiscal year 2011 the use of fund balance was \$2,345,839. The City has budgeted using \$1,638,770 of fund balance in fiscal year 2012. The Fund Balance is made up of the assets of a fund less the liabilities, as determined at the end of each fiscal year. The year-end fund balance is recorded in the following categories: non-spendable, subsequent year's expenditures, and the unassigned balance that can be used. The City follows the recommended practice outlined in the Government Financial Officers Association (GFOA) to maintain a minimum General Fund balance of two months operating expense as a reserve. The budgeted fiscal year 2012 ending fund balance that is available for use in the fiscal year 2013 budget is estimated to be \$1,933,500. This is based on the ending fiscal year 2011 fund balance of \$6,506,731 less the budgeted use of fund balance in the fiscal year 2012 budget of \$1,638,770, two months of operating reserves of \$2,659,438, and the funds owed to the general fund from other funds in the amount of \$275,000.

**Figure 5: General Fund – Total Fund Balance each Fiscal Year**



**Figure 6: General Fund – Change in Fund Balance each Fiscal Year**





## WATER & SEWER FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the City Council is that the costs of providing goods and services to the public on a continuing basis be financed or recovered primarily through user charges; or where the City Council has approved the use of the fund balance reserves to fund capital projects or operations. The following are water and sewer enterprise funds:

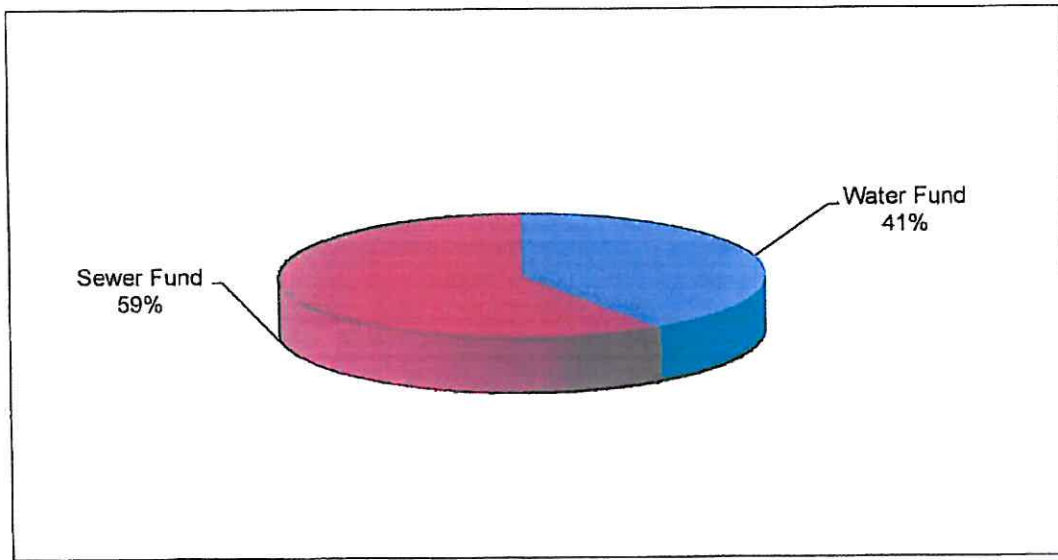
### Water Utility Fund

This fund accounts for all activity of the city owned and operated water utility.

### Sewer Utility Fund

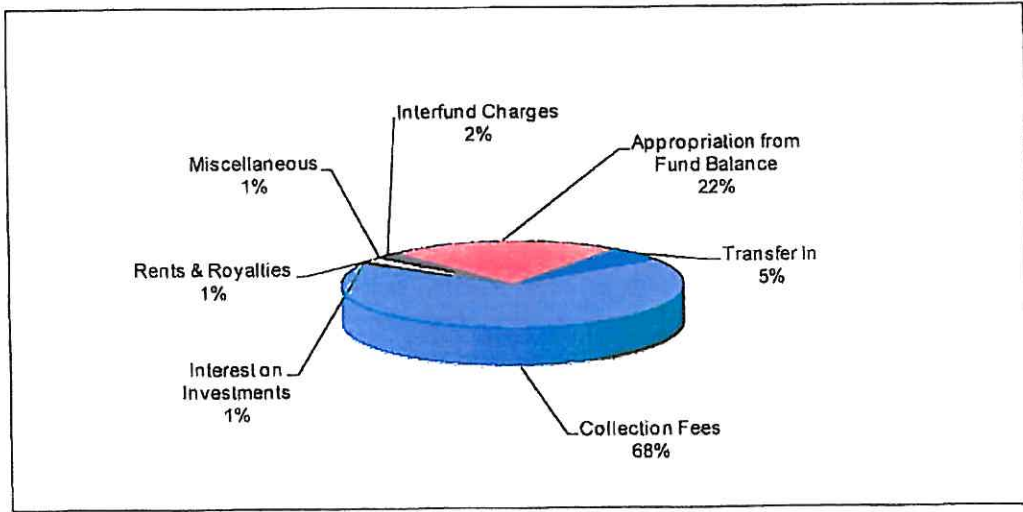
This fund accounts for all activity of the city owned and operated sewer utility.

**Figure 7: Water & Sewer Funds - FY 2012 Budgeted Revenues by Function**



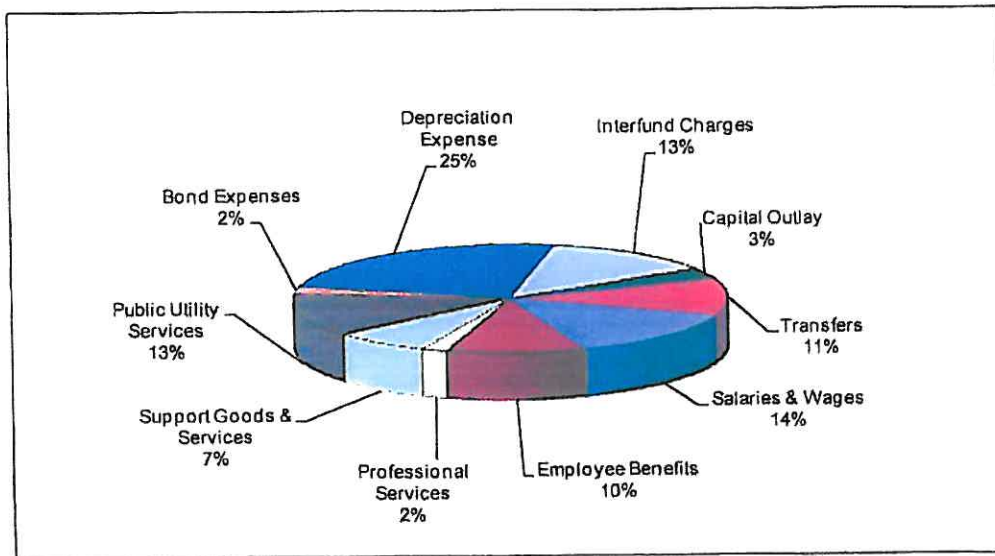
The Sewer Fund generates 59% of total revenues and the Water Fund generates 41% (Fig.7). The Water and Sewer Funds are responsible for maintaining the City's aging infrastructure while keeping rates to residents reasonable.

**Figure 8: Water & Sewer Funds - FY 2012 Budgeted Revenues**



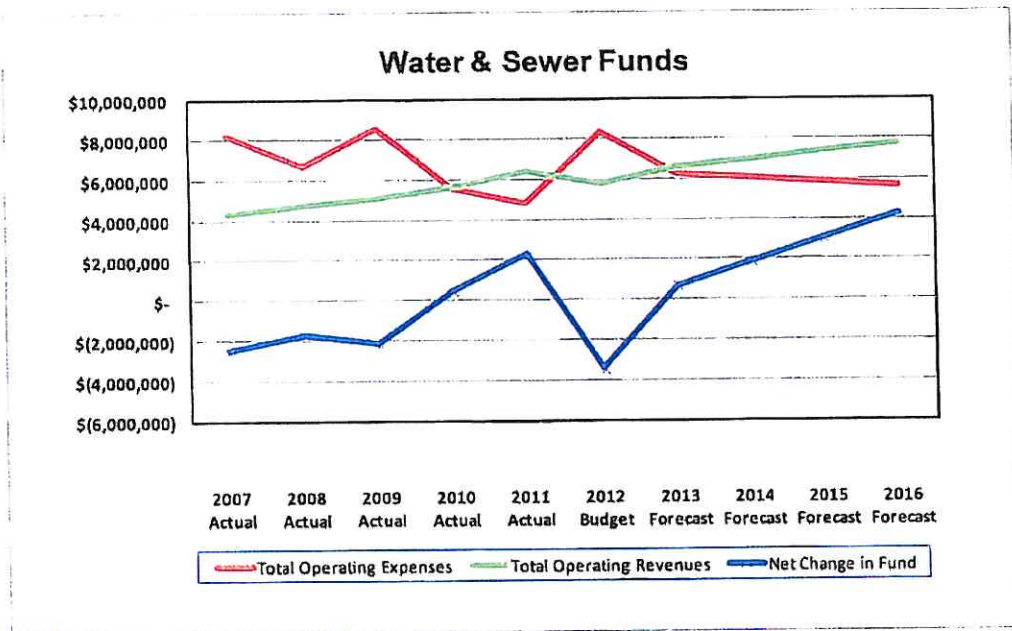
The main source of revenue is collection of fees for services at 68% (Fig.8) of total revenues. The Water and Sewer Funds use Fund Balance to make transfers to capital project funds and for operations.

**Figure 9: Water & Sewer Funds - FY 2012 Budgeted Expenditures by Account Classification**



The largest expense in the Water and Sewer Funds is for depreciation at 25% (Fig.9) of total expenses, salaries and benefits at 24%, and public utilities at 13%.

Figure 10: Water & Sewer Funds Forecast - Actual 2007-2011, Budgeted 2012, Forecast 2013-2016



With rate studies every five years, the water and sewer funds have been able to plan for future capital projects and operations by maintaining a reasonable fund balance.

Water Rates			Sewer Rates		
Fiscal Year	Residential Rate	% Increase	Fiscal Year	Residential Rate	% Increase
2006	25.30		2006	32.20	
2007	25.30	0%	2007	38.02	18%
2008	26.82	6%	2008	42.93	13%
2009	28.43	6%	2009	48.39	13%
2010	30.13	6%	2010	54.55	13%
2011	34.95	16%	2011	59.82	10%
2012	39.14	12%	2012	62.81	5%
2013	43.84	12%	2013	62.81	0%
2014	47.35	8%	2014	62.81	0%
2015	51.14	8%	2015	62.81	0%
2016	55.23	8%	2016	62.81	0%



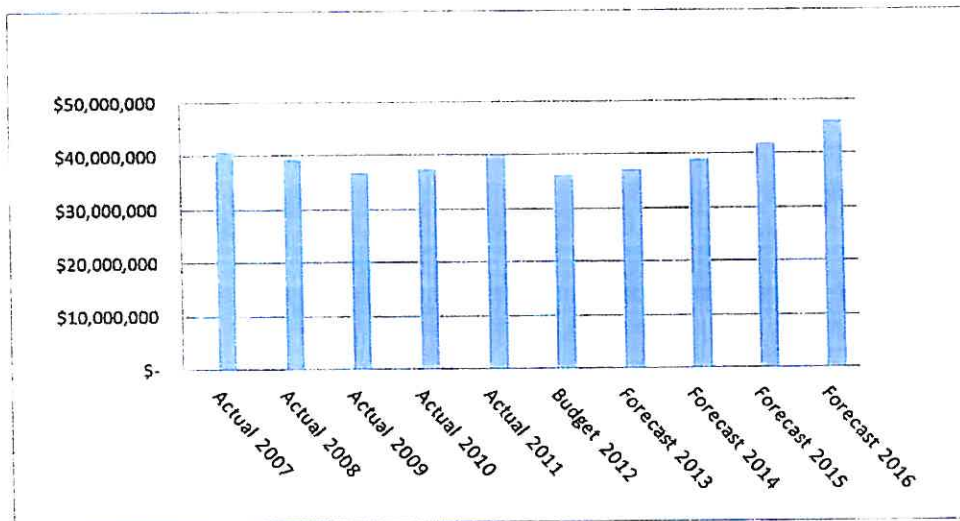
Table 2 below shows the detail for the actual, budgeted, and forecast fiscal years. These forecasts do not include future capital projects.

<b>TABLE 2: Forecast Analysis - Income Statement with forecast values along a linear trend using existing values 2007-2012</b>										
<b>Water &amp; Sewer Fund</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Fund Revenues</b>										
Collection Fees	4,298,624	4,756,869	5,040,778	5,581,077	6,374,280	5,747,100	6,563,279	6,924,277	7,285,274	7,646,272
Other	34,646	21,443	35,365	58,284	53,477	48,820	60,995	66,420	71,846	77,271
<b>Total Operating Revenues</b>	<b>4,333,270</b>	<b>4,778,312</b>	<b>5,076,143</b>	<b>5,639,361</b>	<b>6,427,757</b>	<b>5,795,920</b>	<b>6,624,274</b>	<b>6,990,697</b>	<b>7,357,120</b>	<b>7,723,543</b>
<b>Fund Operating Expenses</b>										
Salaries & Benefits	1,340,344	1,391,518	1,490,838	1,487,245	1,549,698	1,750,720	1,754,010	1,826,091	1,898,171	1,970,252
Professional Services	289,295	340,081	730,825	664,733	151,698	132,000	243,000	202,494	181,988	121,482
Support Goods & Services	381,220	316,641	345,514	322,309	342,366	515,847	443,380	464,134	484,909	505,683
Utility Services	594,298	722,582	577,012	468,376	825,707	943,250	883,087	938,673	994,259	1,049,844
Capital Outlays	57,469	20,471	4,196	12,230	11,896	240,000	147,207	172,777	198,348	223,918
Interfund Charges	207,480	264,920	239,000	173,610	183,180	918,844	655,793	748,542	841,291	934,040
Repairs & Maintenance	3,645,307	1,842,262	3,447,635	711,956	6,286	2,110,000	368,560	(86,301)	(541,162)	(996,023)
Depreciation	1,702,103	1,768,848	1,772,086	1,766,325	1,765,018	1,767,800	1,788,153	1,797,046	1,805,938	1,814,831
<b>Total Operating Expenses</b>	<b>8,217,516</b>	<b>6,667,323</b>	<b>8,607,106</b>	<b>5,606,784</b>	<b>4,835,849</b>	<b>8,378,461</b>	<b>6,283,171</b>	<b>6,063,456</b>	<b>5,843,742</b>	<b>5,624,027</b>
<b>Earnings (loss) from Operations</b>	<b>(3,884,246)</b>	<b>(1,889,011)</b>	<b>(3,530,963)</b>	<b>32,577</b>	<b>1,591,908</b>	<b>(2,582,541)</b>	<b>341,103</b>	<b>927,241</b>	<b>1,513,378</b>	<b>2,099,516</b>
<b>Nonoperating Revenue (Expenses)</b>										
Investment Income	452,946	295,834	88,695	20,914	38,596	70,000	(114,258)	(192,950)	(271,643)	(350,335)
Interest Expense	(39,396)	(31,317)	(23,126)	(22,064)	(32,356)	(148,470)	(104,197)	(119,838)	(135,479)	(151,119)
State PERS Relief	35,603	108,112	104,049	42,515	66,234	44,030	52,254	48,110	43,966	39,822
Other	18,973	4,034	(383)	28,777	(490,519)	-	(228,123)	(272,390)	(316,658)	(360,925)
<b>Net Nonoperating Revenue (Expenses)</b>	<b>468,126</b>	<b>376,663</b>	<b>169,235</b>	<b>70,142</b>	<b>(418,045)</b>	<b>(34,440)</b>	<b>393,357</b>	<b>975,351</b>	<b>1,557,345</b>	<b>2,139,339</b>
<b>Earning (loss) Before Transfers</b>	<b>(3,416,120)</b>	<b>(1,512,348)</b>	<b>(3,361,728)</b>	<b>102,719</b>	<b>1,173,863</b>	<b>(2,616,981)</b>	<b>734,460</b>	<b>1,902,591</b>	<b>3,070,723</b>	<b>4,238,855</b>
<b>Other Financing Sources (Uses)</b>										
Capital Contributions	13,896	369,282	1,793,672	1,086,345	1,169,683	-	-	-	-	-
Transfers In	3,053,416	200,000	886,720	673,761	689,633	-	-	-	-	-
Transfers Out	(2,160,000)	(800,000)	(1,485,100)	(1,375,761)	(713,633)	(805,000)	-	-	-	-
<b>Net Change in Fund</b>	<b>(2,508,808)</b>	<b>(1,743,066)</b>	<b>(2,166,436)</b>	<b>487,064</b>	<b>2,299,546</b>	<b>(3,421,981)</b>	<b>734,460</b>	<b>1,902,591</b>	<b>3,070,723</b>	<b>4,238,855</b>
<b>Net Assets at Beginning of Year</b>	<b>43,506,337</b>	<b>40,997,529</b>	<b>39,254,463</b>	<b>37,088,027</b>	<b>37,575,091</b>	<b>39,874,637</b>	<b>36,452,656</b>	<b>37,187,116</b>	<b>39,089,707</b>	<b>42,160,430</b>
<b>Net Assets at End of Year</b>	<b>40,997,529</b>	<b>39,254,463</b>	<b>37,088,027</b>	<b>37,575,091</b>	<b>39,874,637</b>	<b>36,452,656</b>	<b>37,187,116</b>	<b>39,089,707</b>	<b>42,160,430</b>	<b>46,399,285</b>

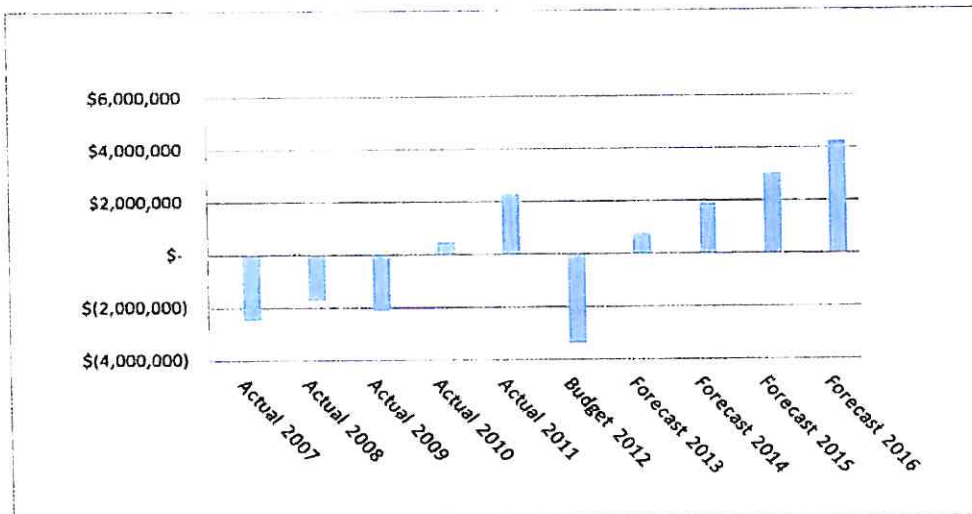
## Water & Sewer Funds - Fund Balance

Figure 11 below shows the total fund balance each fiscal year and Figure 12 shows the change in fund balance each fiscal year or the use of fund balance per fiscal year. The City has budgeted the use of \$3,421,981 from the fund balance in fiscal year 2012. In fiscal year 2011 the return of fund balance was \$2,299,546. The Fund Balance is made up of the assets of a fund less the liabilities, as determined at the end of each fiscal year. The year end fund balance is recorded in categories that describe the use of the funds. These categories are invested in capital assets, and the unrestricted balance that can be used. The fiscal year 2012 fund balance that is available for use in the fiscal year 2013 budget is estimated at \$3,921,110. This is based on an ending fund balance of \$39,874,637 for fiscal year 2011 less the budgeted use of fund balance in the fiscal year 2012 budget of \$3,421,981, depreciation added in the amount of \$1,776,000, less invested in capital in the amount of \$31,486,042, debt payments in the amount of \$256,097, and capital projects obligations in the amount of \$2,497,207.

**Figure 11: Water & Sewer Funds – Total Fund Balance each Fiscal Year**



**Figure 12: General Fund – Change in Fund Balance each Fiscal Year**





## HARBOR FUNDS

The Harbor Funds are also an Enterprise Funds, and as such, account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Council is that the costs of providing goods and services to the public on a continuing basis be financed or recovered primarily through user charges; or where the City Council has decided that periodic determination of net income is appropriate for accountability purposes. The General Fund transfers \$500,000 each fiscal year to the Harbor Capital Project fund based on the Sales Tax Code allocation. The following is a list of the harbor enterprise funds:

### **Cargo Terminal Fund**

This fund accounts for all activity of the city owned and operated cargo terminal, which includes a warehouse and piers.

### **Boat Harbor Fund**

This fund accounts for all activity for the Port of Kodiak, which is city owned and operated and includes two harbors.

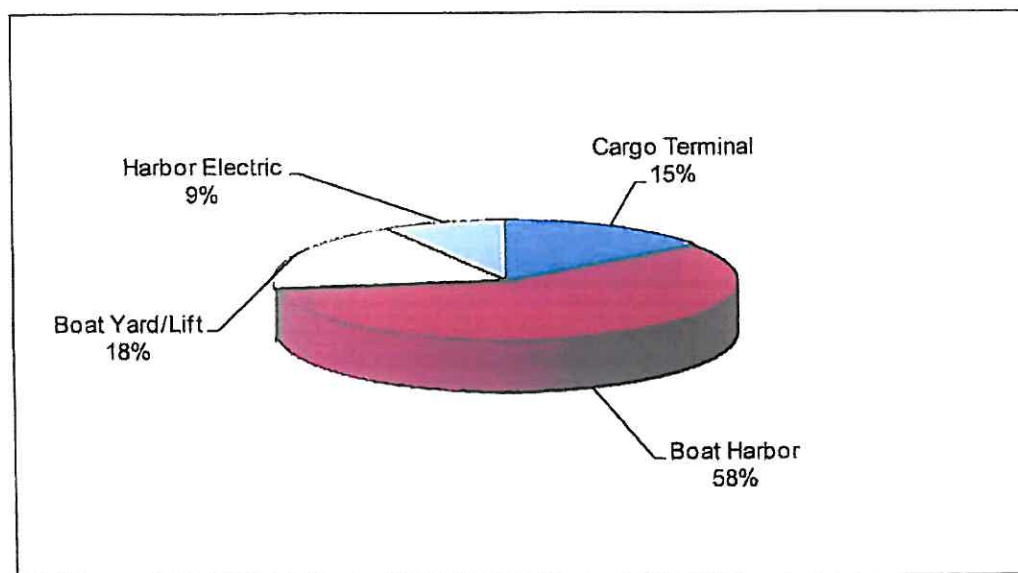
### **Boatyard/ Vessel Lift Fund**

This fund accounts for all activity for the Boat Yard / Vessel Lift Facility which is city owned and operated.

### **Harbor Electric Fund**

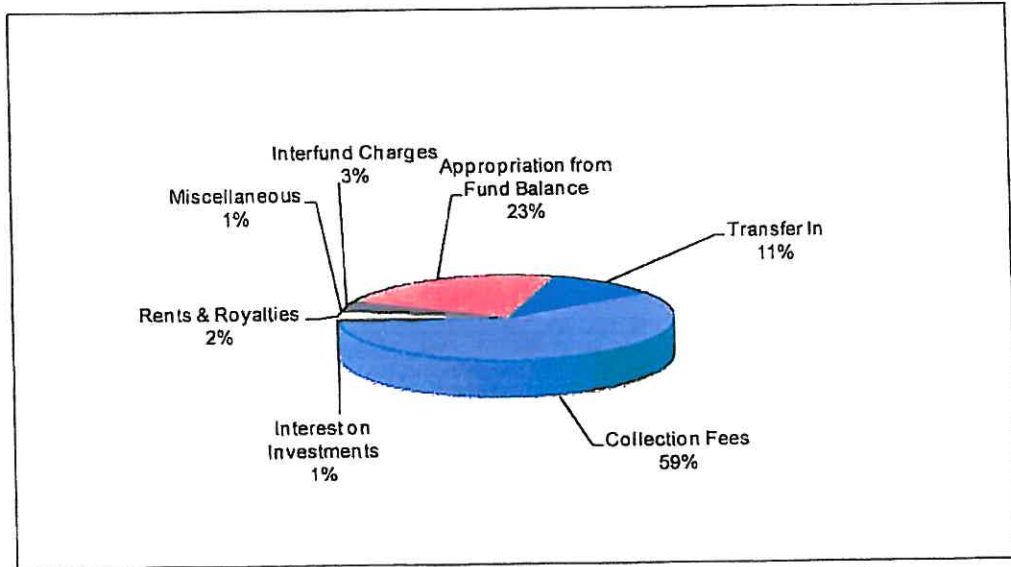
This fund accounts for the use of electrical power for the Boat Harbor, which is city owned and operated and includes two harbors.

**Figure 13: Harbor Funds – FY 2012 Budgeted Revenues by Function**



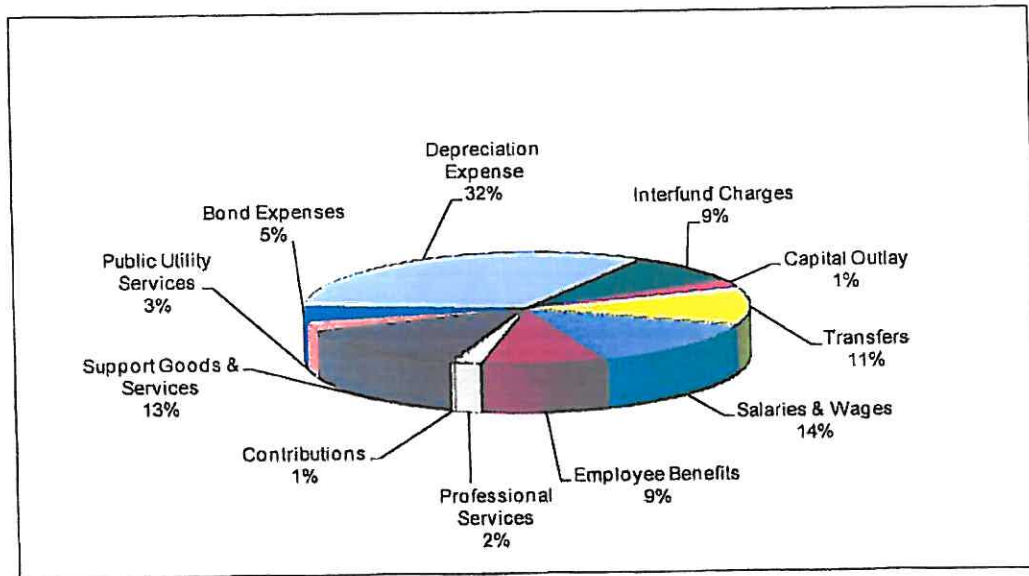
The Cargo Fund generates 15% of total revenues, the Harbor Fund 58% (Fig. 13), the Boat Yard/Lift 18% and the Harbor Electric Fund 9%. The Harbor Funds are responsible for maintaining the City's Harbors while keeping rates to the fishing fleet reasonable.

**Figure 14: Harbor Funds - FY 2012 Budgeted Revenues**



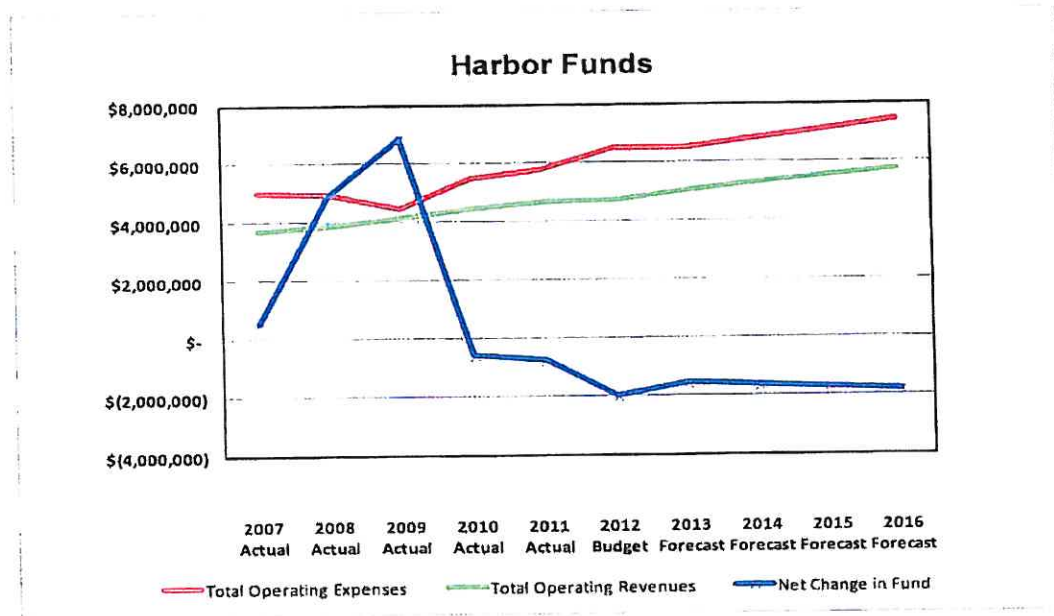
The main source of revenues is collection of fees for services or 59% (Fig.14), of total revenues. The Harbor Funds use Fund Balance to make transfers to capital project funds and for operations.

**Figure 15: Harbor Funds – FY 2012 Budgeted Expenditures by Account Classification**



The largest expenses in the Harbor Funds are depreciation at 32% (Fig.15), of total expenses, salaries and benefits at 23%, support goods and services at 13%.

Figure 16: Harbor Funds Forecast - Actual 2007-2011, Budgeted 2012, Forecast 2013-2016



As a result of a recommendation from the Harbor Advisory Board, a rate increase was implemented in fiscal year 2004 for four years and the rates were again adjusted in fiscal year 2011. The chart below shows the increase in moorage rates. Moorage rates are the largest category of fees in the Harbor Funds. In the future continued operating losses may necessitate additional transfers from the General Fund.

#### Annual Moorage Rates

Fiscal Year	Annual Moorage Per Foot		% Increase	
	Low	High	Low	High
2004	23.00	37.00		
2005	25.00	60.00	9%	62%
2006	27.00	73.00	8%	22%
2007	28.00	88.00	4%	21%
2008	29.00	98.00	4%	11%
2009	29.00	98.00	0%	0%
2010	29.00	98.00	0%	0%
2011	30.00	100.00	3%	2%

Low Range = 0 to 20 feet  
 High Range = 151 feet and higher



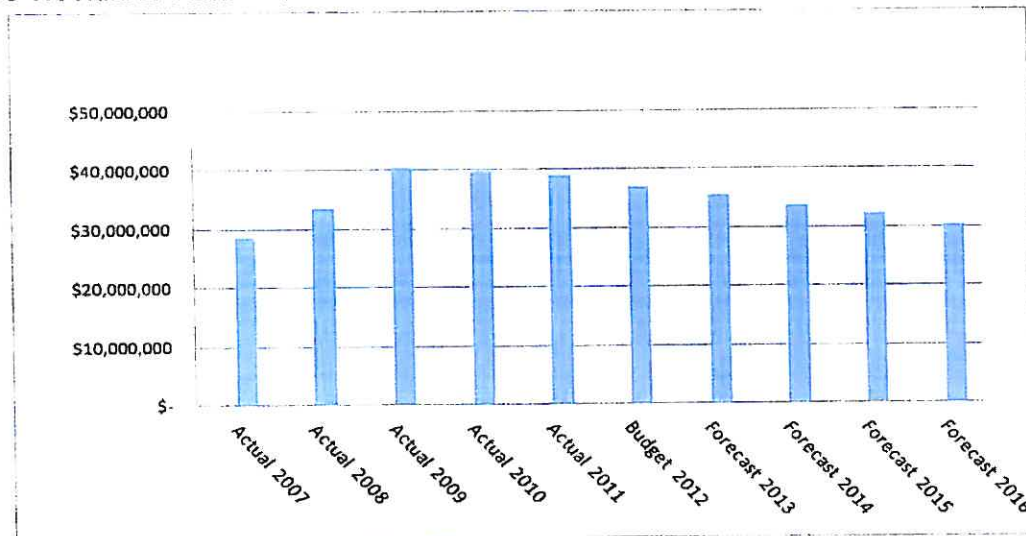
Table 3 below shows the detail for the actual, budget and forecasted fiscal years. These forecasts do not include future capital projects.

<b>TABLE 3: Forecast Analysis - Income Statement with forecast values along a linear trend using existing values 2007-2012</b>										
Harbor	Actual	Actual	Actual	Actual	Actual	Budget	Forecast	Forecast	Forecast	Forecast
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Fund Revenues</b>										
Collection Fees	3,185,666	3,630,335	3,897,970	3,976,024	4,123,339	4,308,500	4,570,763	4,775,655	4,980,548	5,185,440
Other	528,121	245,038	259,501	484,122	553,936	442,218	491,003	511,626	532,248	552,871
<b>Total Operating Revenues</b>	<b>3,713,787</b>	<b>3,875,373</b>	<b>4,157,471</b>	<b>4,460,146</b>	<b>4,677,275</b>	<b>4,750,718</b>	<b>5,061,765</b>	<b>5,287,281</b>	<b>5,512,796</b>	<b>5,738,311</b>
<b>Fund Operating Expenses</b>										
Salaries & Benefits	1,253,198	1,235,064	1,265,554	1,343,916	1,451,235	1,671,680	1,652,037	1,732,588	1,813,140	1,893,691
Professional Services	56,284	69,724	74,827	105,112	228,564	144,500	207,957	235,039	262,122	289,204
Support Goods & Services	984,576	948,816	958,980	1,044,714	1,032,885	994,100	1,032,588	1,043,584	1,054,600	1,065,616
Utility Services	145,062	158,479	147,649	140,960	162,895	205,250	190,799	199,585	208,370	217,156
Capital Outlays	78,515	38,427	108,022	97,113	46,869	176,300	141,209	155,590	169,971	184,352
Interfund Charges	337,180	402,600	378,940	391,579	391,309	632,951	568,189	609,835	651,481	693,128
Repairs & Maintenance	729,990	563,344	-	568,055	167,021	332,000	132,315	57,719	(16,877)	(91,473)
Depreciation	1,391,452	1,547,454	1,538,885	1,787,423	2,302,339	2,368,990	2,562,845	2,774,299	2,985,753	3,197,207
<b>Total Operating Expenses</b>	<b>4,976,255</b>	<b>4,963,908</b>	<b>4,472,857</b>	<b>5,478,872</b>	<b>5,783,117</b>	<b>6,525,771</b>	<b>6,487,919</b>	<b>6,808,239</b>	<b>7,128,560</b>	<b>7,448,881</b>
<b>Earnings (loss) from Operations</b>	<b>(1,262,468)</b>	<b>(1,088,535)</b>	<b>(315,386)</b>	<b>(1,018,726)</b>	<b>(1,106,842)</b>	<b>(1,775,053)</b>	<b>(1,426,154)</b>	<b>(1,520,959)</b>	<b>(1,615,764)</b>	<b>(1,710,570)</b>
<b>Nonoperating Revenue (Expenses)</b>										
Investment Income	339,028	409,005	166,172	38,239	39,610	43,000	50,000	50,000	50,000	50,000
Interest Expense	-	-	(24,405)	(306,322)	(334,588)	(333,100)	(340,000)	(340,000)	(340,000)	(340,000)
State PERS Relief	38,400	111,606	94,559	43,076	67,880	63,160	63,894	62,212	60,531	58,849
Other	-	1,600	24,778	201,751	112,736	-	107,849	122,431	137,014	151,596
<b>Net Nonoperating Revenue (Expenses)</b>	<b>377,428</b>	<b>522,211</b>	<b>261,104</b>	<b>(23,256)</b>	<b>(114,362)</b>	<b>(226,940)</b>	<b>(118,257)</b>	<b>(105,356)</b>	<b>(92,456)</b>	<b>(79,565)</b>
<b>Earning (loss) Before Transfers</b>	<b>(885,040)</b>	<b>(566,324)</b>	<b>(54,282)</b>	<b>(1,041,982)</b>	<b>(1,220,204)</b>	<b>(2,001,993)</b>	<b>(1,544,411)</b>	<b>(1,626,315)</b>	<b>(1,708,220)</b>	<b>(1,790,125)</b>
<b>Other Financing Sources (Uses)</b>										
Capital Contributions	940,373	4,161,622	6,292,418	-	-	-	-	-	-	-
Transfers In	1,000,000	1,350,000	645,784	4,945,260	2,283,431	800,000	-	-	-	-
Transfers Out	(500,000)	(50,000)	-	(4,470,260)	(1,803,431)	(800,000)	-	-	-	-
<b>Net Change in Fund</b>	<b>555,333</b>	<b>4,895,298</b>	<b>6,883,920</b>	<b>(566,982)</b>	<b>(740,204)</b>	<b>(2,001,993)</b>	<b>(1,544,411)</b>	<b>(1,626,315)</b>	<b>(1,708,220)</b>	<b>(1,790,125)</b>
<b>Net Assets at Beginning of Year</b>	<b>28,009,606</b>	<b>28,564,939</b>	<b>33,460,237</b>	<b>40,344,157</b>	<b>39,777,175</b>	<b>39,036,971</b>	<b>37,034,978</b>	<b>35,490,567</b>	<b>33,864,252</b>	<b>32,156,032</b>
<b>Net Assets at End of Year</b>	<b>28,564,939</b>	<b>33,460,237</b>	<b>40,344,157</b>	<b>39,777,175</b>	<b>39,036,971</b>	<b>37,034,978</b>	<b>35,490,567</b>	<b>33,864,252</b>	<b>32,156,032</b>	<b>30,365,907</b>

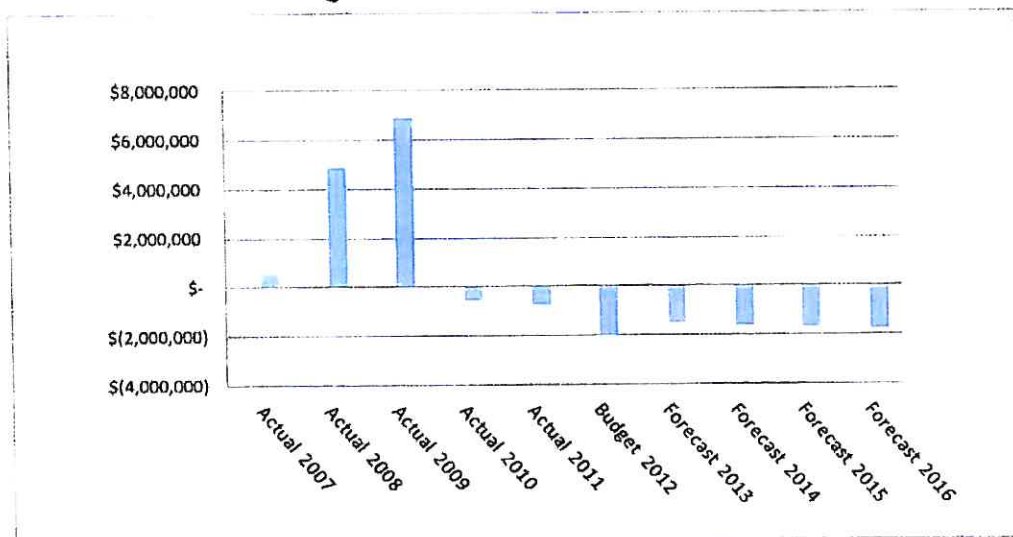
## Harbor Funds – Fund Balance

Figure 17 below shows the total fund balance each fiscal year and Figure 18 shows the change in fund balance each fiscal year. The City has budgeted the use of \$2,001,993 of fund balance in fiscal year 2012. In fiscal year 2011 the use of fund balance was \$740,204. The Fund Balance is made up of the assets of a fund less the liabilities, as determined at the end of each fiscal year. The year end fund balance is recorded in categories that describe the use of the funds. These categories are invested in capital assets, and the unrestricted balance that can be used. The fiscal year 2012 fund balance that is available for use in the fiscal year 2013 budget is estimated at \$4,674,536. This is based on an ending fiscal year 2011 fund balance of \$39,036,971, less the budgeted use of fund balance in the fiscal year 2012 budget of \$2,001,993, depreciation added in the amount of \$2,365,628 less invested in capital in the amount of \$33,383,596, debt payments in the amount of \$338,681, and capital projects obligations in the amount of \$1,007,155.

**Figure 17: Harbor Funds – Total Fund Balances each Fiscal Year**



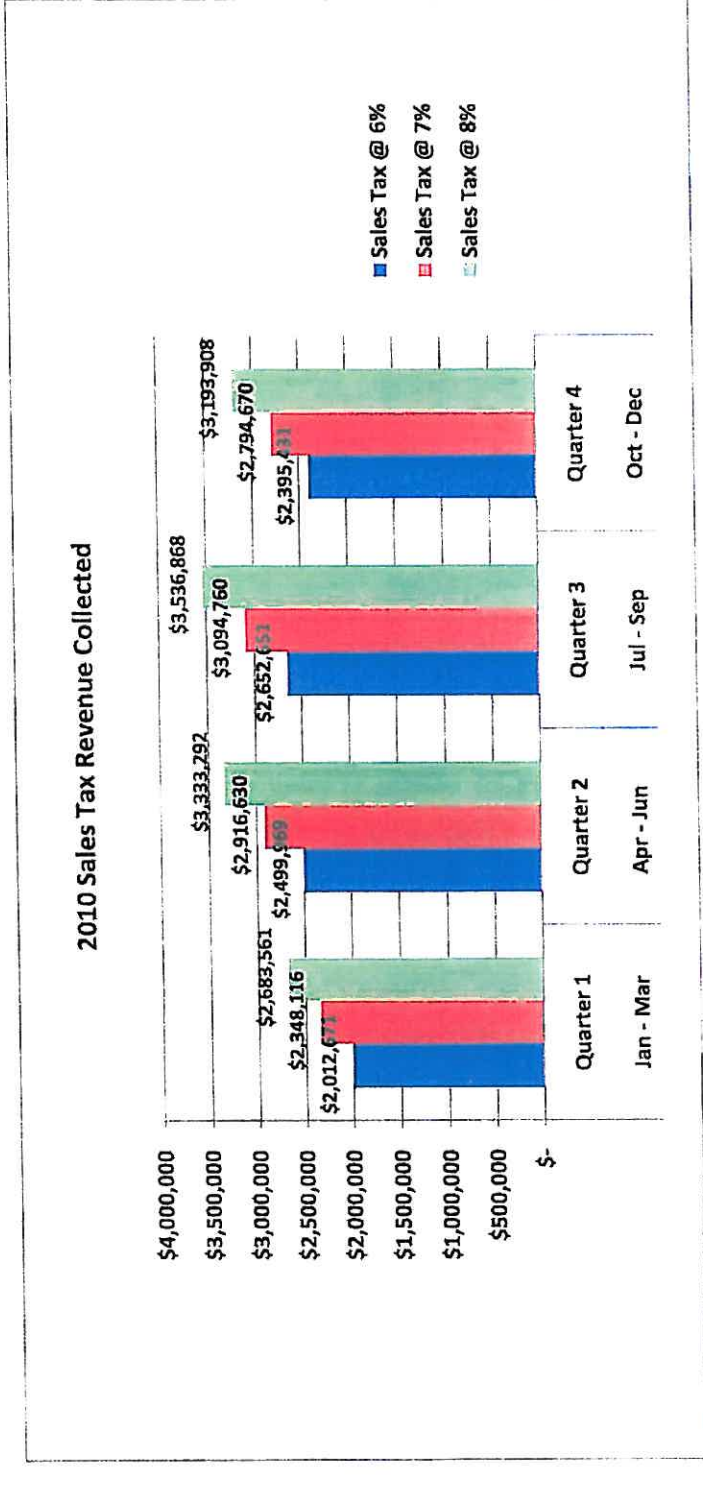
**Figure 18: Harbor Funds – Change in Fund Balance each Fiscal Year**



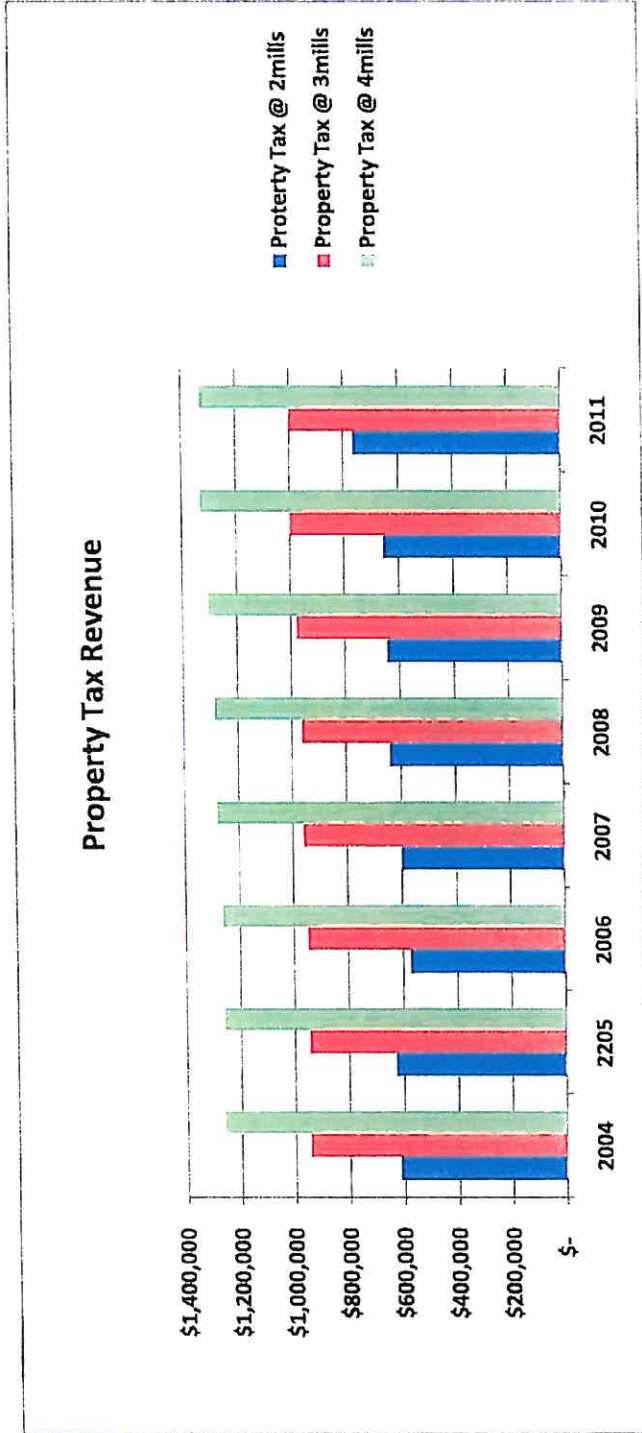


Business Types	Current - 2010			Scenario Template		
	Tax @ 6.0% Tax Cap \$750			Tax @ XX% Tax Cap \$X,XXX		
	Total Receipts	Rate	Sales Tax Revenue	Total Receipts	Rate	Sales Tax Revenue
Retail Sales	\$ 293,591,984	6.0%	\$ 17,615,519	\$ 293,591,984	7.0%	\$ 20,551,439
Services	\$ 85,267,748	6.0%	\$ 5,116,065	\$ 85,267,748	7.0%	\$ 5,968,742
Real Estate Rentals	\$ 9,287,109	6.0%	\$ 557,227	\$ 9,287,109	7.0%	\$ 650,098
Rentals	\$ 4,194,725	6.0%	\$ 251,684	\$ 4,194,725	7.0%	\$ 293,631
Other	\$ 9,069,873	6.0%	\$ 544,192	\$ 9,069,873	7.0%	\$ 634,891
<b>Total Receipts</b>	<b>\$401,411,439</b>		<b>\$ 24,084,686</b>	<b>\$ 401,411,439</b>		<b>\$ 28,098,801</b>
<b>Deductions</b>						
Senior Citizens	\$ 7,955,338			\$ 7,955,338		
Government	\$ 65,495,796			\$ 65,495,796		
Whole Sale/Retail	\$ 27,810,776			\$ 27,810,776		
Contractors	\$ 8,949,074			\$ 8,949,074		
Sales Tax Included	\$ 757,026			\$ 757,026		
<b>Amount Over Cap</b>	<b>\$ 72,010,547</b>	<b>\$750</b>		<b>\$ 50,000,000</b>	<b>\$3,500</b>	
Other Deductions	\$ 57,657,617			\$ 57,657,617		
<b>Total Reduction of Receipts</b>	<b>\$240,636,173</b>	<b>6.0%</b>	<b>\$ 14,438,170</b>	<b>\$ 218,625,625</b>	<b>7.0%</b>	<b>\$ 15,303,794</b>
<b>Taxable Receipts</b>	<b>\$160,775,266</b>	<b>6.0%</b>		<b>\$ 182,785,814</b>	<b>7.0%</b>	
<b>Sales Tax Generated</b>			<b>\$ 9,646,516</b>			<b>\$ 12,795,007</b>
<b>Additional Revenue Generated</b>			\$ -			\$ 3,148,490.96
<b>Maximum Tax Paid</b>	\$ 750	6.0%	\$ 45.00	\$ 3,500	7.0%	\$ 245.00
<b>Sales Tax Per Capita</b>			\$ 1,456			\$ 1,931
<b>Red indicates undocumented estimate</b>						

2010 Sales Tax Rates						
	Total Receipts	Total Deductions	Taxable Receipts	Sales Tax @ 6%	Sales Tax @ 7%	Sales Tax @ 8%
Jan - Mar	\$ 87,000,526	\$ 53,456,016	\$ 33,544,510	\$ 2,012,671	\$ 2,348,116	\$ 2,683,561
Apr - Jun	\$ 111,196,543	\$ 69,530,398	\$ 41,666,145	\$ 2,499,969	\$ 2,916,630	\$ 3,333,292
Jul - Sep	\$ 109,130,949	\$ 64,920,098	\$ 44,210,851	\$ 2,652,651	\$ 3,094,760	\$ 3,536,868
Oct - Dec	\$ 92,754,147	\$ 52,830,294	\$ 39,923,852	\$ 2,395,431	\$ 2,794,670	\$ 3,193,908
<b>Total</b>	<b>\$ 400,082,165</b>	<b>\$ 240,736,806</b>	<b>\$ 159,345,358</b>	<b>\$ 9,560,722</b>	<b>\$ 11,154,175</b>	<b>\$ 12,747,629</b>



Property Tax								
	2004	2205	2006	2007	2008	2009	2010	2011
Property Tax @ 2mills	\$ 616,172	\$ 628,516	\$ 573,763	\$ 599,261	\$ 640,435	\$ 644,857	\$ 656,852	\$ 765,539
Property Tax @ 3mills	\$ 947,304	\$ 945,488	\$ 948,776	\$ 960,771	\$ 964,190	\$ 978,944	\$ 997,975	\$ 997,975
Property Tax @ 4mills	\$ 1,263,073	\$ 1,260,650	\$ 1,265,034	\$ 1,281,028	\$ 1,285,586	\$ 1,305,259	\$ 1,330,633	\$ 1,330,633
Taxable Assessed Value	\$315,768,131	\$ 315,162,532	\$ 316,258,532	\$ 320,256,932	\$ 321,396,532	\$326,314,738	\$332,658,365	\$ 332,658,365



Property Tax								
	2004	2205	2006	2007	2008	2009	2010	2011
1 mill Increase	\$ 315,768	\$ 315,163	\$ 316,259	\$ 320,257	\$ 321,397	\$ 326,315	\$ 332,658	\$ 332,658
Taxable Assessed Value	\$315,768,131	\$ 315,162,532	\$ 316,258,532	\$ 320,256,932	\$ 321,396,532	\$326,314,738	\$332,658,365	\$ 332,658,365

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## MEMORANDUM TO COUNCIL

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**To:** Mayor Branson and City Councilmembers

**From:** Aimée Kniaziowski, City Manager and Debra Marljar, City Clerk

**Date:** April 26, 2012

**Agenda Item:** V. b. Resolution No. 2012-11, Authorizing the Assignment of the Lease of Tract C-1, Alaska Tideland Survey 1408, Plat No. 92-41 From Ocean Beauty Seafoods, Inc. to Ocean Beauty Seafoods LLC

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**SUMMARY:** The Council adopted Ordinance No. 1294 on January 12, 2012, which authorized a lease between the City of Kodiak and Ocean Beauty Seafoods, Inc. for property located in Gibson Cove. When the City Clerk sent the lease to Ocean Beauty for signature, the Chief Financial Officer and Secretary of Ocean Beauty requested the lease name be changed to Ocean Beauty Seafoods LLC. After consultation with the City's attorney, it was determined the requested name change required Council authorization in accordance with Kodiak City Code 18.20.240 Assignments: "The rights of a lessee or purchaser under a lease or under contract of sale may not be assigned unless the assignment is first approved by the council. The assignee shall be subject to all of the provisions of the lease or sales contract." The City's Attorney drafted Resolution No. 2012-11, which authorizes the requested name change. Staff recommends the Council adopt Resolution No. 2012-11.

### **PREVIOUS COUNCIL ACTION:**

- September 25, 2003, adopted Ordinance No. 1164, which authorized a three-year lease with Ocean Beauty Seafoods, Inc.
- November 9, 2006, adopted Ordinance No. 1214, which authorized a five-year lease with Ocean Beauty Seafoods, Inc.
- January 12, 2012, adopted Ordinance No. 1295, which authorized the renewal of the lease with Ocean Beauty Seafoods, Inc. for an additional five years

**DISCUSSION:** As stated above, the City has leased Gibson Cove property to Ocean Beauty Seafoods, Inc. since 2003. After Ordinance No. 1295 was adopted, Ocean Beauty Seafoods, Inc. requested the lease name be changed to Ocean Beauty Seafoods LLC, because the company sold or contributed most of its assets to Ocean Beauty Seafoods, LLC on July 2, 2007.

### **ALTERNATIVES:**

1. Adopt Resolution No. 2012-11. This is staff's recommendation.



2. Do not adopt Resolution No. 2012–11. This is not recommended, because Ocean Beauty Seafoods, Inc. has legally changed its name to Ocean Beauty Seafoods, LLC, and the lease should reflect the correct company name.

**FINANCIAL IMPLICATIONS:** N/A

**LEGAL:** The City’s Attorney reviewed the issue and advised staff on what needed to be done to ensure the lease documents are correct. He also drafted Resolution No. 2012–11.

**CITY MANAGER’S COMMENTS:** We weren’t aware that Ocean Beauty had changed their corporation status to an LLC until the Clerk was notified by the CFO when she sent the lease to them for signature. The attorney reviewed the information and advised us that Council needed to recognize the change and could do so by adopting a resolution. I recommend Council make this clarification by adopting Resolution No. 2012–11.

**ATTACHMENTS:**

- Attachment A: Resolution No. 2012–11
- Attachment B: The lease agreement between the City and Ocean Beauty
- Attachment C: Ordinance No. 1294

**PROPOSED MOTION:**

Move to adopt Resolution No. 2012–11.

**CITY OF KODIAK  
RESOLUTION NUMBER 2012-11**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK  
AUTHORIZING THE ASSIGNMENT OF THE LEASE OF TRACT C-1,  
ALASKA TIDELAND SURVEY 1408, PLAT NO. 92-41 FROM OCEAN BEAUTY  
SEAFOODS, INC. TO OCEAN BEAUTY SEAFOODS LLC**

WHEREAS, the City leased Tract C-1, Alaska Tideland Survey 1408, Plat No. 92-41, to Ocean Beauty Seafoods, Inc. on November 1, 2006 (the "Lease"), and the parties renewed that Lease for an additional five-year term ending on October 31, 2016; and

WHEREAS, on July 2, 2007, Ocean Beauty Seafoods, Inc transferred its interest in the Lease to Ocean Beauty Seafoods LLC; and

WHEREAS, under KCC 18.20.240 the rights of a lessee under a lease of City property may not be assigned unless the assignment is first approved by the council, with the assignee being subject to all of the provisions of the lease; and

WHEREAS, Ocean Beauty Seafoods LLC has requested that the council approve the assignment of the Lease to it from Ocean Beauty Seafoods, Inc.

NOW, THEREFORE, BE IT RESOLVED by the council of the City of Kodiak, Alaska:

Section 1. The assignment of the Lease from Ocean Beauty Seafoods, Inc. to Ocean Beauty Seafoods LLC is hereby approved, subject to Ocean Beauty Seafoods LLC assuming all of the obligations of Ocean Beauty Seafoods, Inc. under the Lease.

Section 2. This resolution shall become effective upon passage and approval.

CITY OF KODIAK

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

Adopted:



## LEASE AGREEMENT

This Lease Agreement is made and entered into at Kodiak, Alaska, this 1st day of November 2006, between the City of Kodiak ("Lessor" or "the City"), and Ocean Beauty Seafoods, ~~Inc., a Washington corporation~~ LLC ("Lessee").

### WITNESSETH

WHEREAS, the City is the owner of the following-described parcel of real property (the "Property"), consisting of approximately 5.0 acres, upon which are located certain improvements, including a crab/fish processing plant of approximately 14,080 square feet, a compressor equipment building of approximately 1,600 square feet, a dock with approximately 330 linear feet of docking space, and three hydraulic cranes, and a second dock ("ice house dock") with approximately 200 linear feet of docking space, and an ice house with one North Star Model 60 (30-ton) icemaker and one North Star Model 20 (7.5-ton) icemaker:

Tract C-1, Alaska Tideland Survey 1408, Plat No. 92-41

WHEREAS, Lessee desires to lease the Property for the purpose of operating a warehouse;

NOW, THEREFORE, in consideration of the mutual undertakings herein, the City hereby leases to Ocean Beauty, and Ocean Beauty hereby leases from the City, the above-described property on the following terms and conditions:

### RECITALS

1. Term. The term of this Lease Agreement shall be for five (5) years, beginning on November 1, 2006. The Lessee has the option to renew the lease for an additional five (5) years at the discretion of the Lessor.

2. Rental. Lessee agrees to pay as and for rent the sum of Seventy Eight Thousand Nine Hundred Dollars (\$ 78,900.00) the first year of the lease. Rental payments will increase by one (1) percent each subsequent year of the lease. Payment will be made in equal monthly installments. Rent shall be paid in advance monthly and the first rental payment shall be due and payable on the effective date of this Lease Agreement and monthly thereafter. If the effective date of this Lease Agreement shall be other than the first day of the month, the rent for the first and last months of this Lease Agreement shall be prorated accordingly.

3. Utilities. Lessee shall pay all costs of electricity, water and other utilities used on or associated with the Property.

4. Taxes. Lessee shall pay all real and personal property taxes associated with or attributed to Lessee's leasehold interest or personal property on the Property.

5. Lessee's Acceptance of Property. Lessee acknowledges having inspected or

having been given the full opportunity to inspect the Property and the improvements, equipment and other personal property thereon, and hereby accepts the same in their present condition. No representation, statement or warranty, express or implied, has been made by or on behalf of Lessor as to the condition of the foregoing, or as to the use that may be made of it. In no event shall Lessor be liable for any defect or condition, present or future, in or on the Property or the improvements, equipment and other personal property thereon, for any claims or damages arising therefrom, or for any limitation, present or future, on the use thereof.

6. Use by Lessee. Lessee shall abide by all applicable federal, state and local statutes, regulations and ordinances, and shall not cause or permit any nuisance or similar offensive use on the Property.

7. Right to Enter and Inspect. Lessor shall have the right, at reasonable times and upon giving reasonable advance notice, to enter the Property to inspect the same.

8. Care of Property. Lessee will keep the Property neat and clean and in a sanitary condition, and will at all times preserve it, and upon termination of this Lease Agreement will surrender the Property, in as good a condition and repair as it is now or may hereafter be put into, reasonable use and wear and tear excepted. If Lessee fails to keep and preserve the property in said condition and state of repair, Lessor may, at its option, put or cause the same to be put into the condition and state of repair agreed upon, and in such case Lessee shall be liable for the full cost thereof. Nothing in this Lease Agreement shall be construed as requiring Lessee to repair, restore or reconstruct the Property if, through no fault of Lessee, it is damaged or destroyed by earthquake, tidal wave, mud or earth slide or other act of God, against which Lessee was not required to maintain casualty insurance for Lessor's benefit.

9. Alterations, Additions, Improvements and Fixtures. It is contemplated that in order to fully utilize the Property in accordance with this Lease Agreement, Lessee may find it prudent and necessary to construct improvements thereon or to make major alterations, additions or improvements. Lessee shall not make any such alterations, additions or improvement without the advance written consent of Lessor; however, Lessor shall not unreasonably refuse or delay such consent. All leasehold improvements, including alterations, additions and general improvements, shall become the property of Lessor upon termination or expiration of this Lease Agreement except removable trade fixtures. Lessee shall not be entitled to any credit against or abatement of rent or to any other consideration other than that which may be provided by Section 18.12.370 or 18.20.350 of the Kodiak City Code, as a consequence of constructing improvements on the Property. At the termination of this Lease Agreement, all structures associated with the Property shall be left in good and usable operating condition with all domestic heating and hot water remaining a part thereof.

10. Liens and Encumbrances. Lessee shall maintain the Property free and clear of all liens or encumbrances. If, at any time during or after the term of this Lease Agreement, alien or encumbrance is filed against the Property or any part thereof in connection with any activity, obligation or alleged obligation of Lessee, its officers, employees or other agents, Lessee shall, at its sole expense, obtain the release and

discharge of the same by payment, bonding in the name of and on behalf of Lessor, or otherwise within thirty (30) days after receipt of notice thereof. If Lessee fails to procure the discharge of any such lien or encumbrance, Lessor may, at its option, terminate this Lease Agreement without further notice to Lessee and without prejudice to any other remedies available to it under this Lease Agreement or by operation of law.

11. Assignment. This Lease Agreement may not be assigned, nor may the Property be sublet without the advance written consent of Lessor. Lessor may refuse its consent to any proposed sublease without the necessity of an explanation or statement of reasons, but will not unreasonably withhold consent to an assignment hereof, provided such assignment does not result in the release of any persons otherwise liable for or guaranteeing Lessee's obligations hereunder.

12. Fire or Other Casualty. The risk of fire or other casualty affecting Lessee's intended use of the Property shall be borne solely by Lessee and in no event shall any such casualty result in the termination or abatement of rent under this Lease Agreement. Notwithstanding the foregoing, however, if the Property is destroyed by fire or other casualty or so substantially damaged as to preclude Lessee's normal operations for more than thirty (30) days, then Lessee may terminate this Lease Agreement by giving prompt written notice to Lessor, and Lessor may terminate this Lease Agreement by giving prompt written notice to Lessee. If the Property is damaged or destroyed by fire or other casualty with respect to which Lessee has procured and paid for casualty insurance for the benefit of Lessor, then upon reaffirming the Lease Agreement, Lessee may require the proceeds of such insurance to be devoted to the repair, reconstruction, or restoration of the Property. Any insurance proceeds not so used shall become the sole property of Lessee.

13. Insurance. (a) Lessee shall obtain and maintain in full force and effect during the term of this Lease Agreement, and any renewals or extensions hereof, adequate insurance to protect both Lessor and Lessee against comprehensive public liability, products liability and property damage. At a minimum, such policies of insurance shall cover the following risks:

(i) Commercial general liability insurance written on an occurrence (as opposed to a claims made) basis with minimum limits of liability in an amount of not less than One Million Dollars (\$1,000,000) general aggregate limit for personal injury or death, property damage (including water damage and sprinkler leakage) and premises liability, which insurance shall contain a contractual liability endorsement covering the matters set forth herein;

(ii) Workers' compensation insurance covering all of Lessee's employees, which insurance shall contain an express waiver of any right of subrogation against Lessor; and

(iii) Fire and comprehensive casualty insurance covering the Property and all improvements, equipment and other personal property belonging to Lessor and associated therewith, in the amount of not less than One Million Five Hundred Thousand Dollars (\$1,500,000) (replacement cost).

(b) All policies of liability insurance to be obtained and furnished by



Lessee hereunder shall list Lessor as an additional insured. All such policies of insurance shall be issued by a financially responsible company or companies authorized to issue such policy or policies and licensed to do business in Alaska, and shall contain endorsements providing that any such insurance shall not be subject to cancellation, termination or material change except after ten (10) days' prior written notice by registered mail to Lessor by the insurance company.

(c) The original policy or policies, or duly-executed certificates for the same, stating that the insurance carrier shall give Lessor ten (10) days' written notice prior to cancellation, material alteration or failure to renew, together with satisfactory evidence of payment of the premium therefore, shall be delivered to Lessor on or before the occupancy date of this Lease Agreement and, upon renewal of such policies, not less than ten (10) days prior to the expiration of the term of any such coverage. The minimum limits of any insurance coverage required hereunder to be carried by Lessee shall not otherwise limit Lessee's liability under this Lease Agreement.

(d) Neither the provisions of this paragraph, nor any other provisions of this Lease Agreement shall be construed to require that Lessee obtain liability insurance as to either environmental matters or punitive damages or casualty insurance as to earthquakes, mudslides, earth slides or tidal waves.

14. Disclaimer of Warranties. Lessee acknowledges that the improvements, fixtures, equipment or any other personal property associated with the Property are of a size, design, capacity and manufacture satisfactory to Lessee's intended use and purposes. Lessee further acknowledges that Lessor is not a manufacturer of the Property or a dealer in similar property and has not made and does not make any representation, warranty or covenant, express or implied, with respect to the condition, quality, durability, suitability or merchantability of the Property. Lessee agrees that Lessor shall not be liable for any liability, loss or damage caused or alleged to be caused, directly or indirectly, by the Property, by any inadequacy thereof or defect therein, or by any incident in connection therewith.

15. Indemnification. Lessor shall not be liable for any injury or death to any person or for any loss or damage to any property or for any other loss or damage, including loss or damage resulting from business interruption, on or about the Property from any cause whatsoever, except for the negligence or willful misconduct of the Lessor. Lessee assumes liability for and agrees to indemnify, save and hold Lessor harmless from any and all claims arising out of its use of the Property, and any operations necessary or incidental thereto, including claims for damage, death or injury to any person, persons or property arising from any act or omission of, or the use, possession or occupancy of the Property by Lessee, its officers, employees, agents, invitees, visitors or other persons. Lessee's obligation of indemnification shall extend to and encompass costs and reasonable attorneys' fees associated with the defense of any such claim or action.

16. Termination. Notwithstanding the provisions of Lease Section 1, should Lessee fail to perform any of Lessee's obligations hereunder, Lessor may terminate this Lease Agreement upon thirty (30) days' notice to Lessee unless the default is cured to the reasonable satisfaction of Lessor within said 30-day period or, in the case of a default

which cannot with due diligence be cured within a 30-day period, Lessee promptly commences within said 30-day period and diligently and continuously prosecutes to completion all steps necessary to cure the default to the reasonable satisfaction of Lessor. Lessee shall have a period of sixty (60) days after termination or expiration of this Lease Agreement to remove its trade fixtures, personal property or fish processing equipment from the Property; rent shall be prorated to the date of removal. Any of Lessee's property remaining on the Property sixty (60) days after termination or expiration may be disposed of by Lessor and Lessee hereby expressly waives any claims, damages or causes of action arising out of such disposal, and agrees to indemnify and hold Lessor harmless from any and all such claims asserted by third parties. Notwithstanding such termination, Lessor shall be entitled to rent for the full calendar month in which the termination takes effect. Notices shall be effective when received.

17. Condemnation. If all or any part of the Property is taken under the power of eminent domain, or if Lessor sells or transfers all or any part of the Property under threat of condemnation, and the taking, sale or transfer renders the Property totally or partially inaccessible or unusable, this Lease Agreement shall terminate on the date of the taking, sale or transfer. Lessor may retain the condemnation award or consideration for sale or transfer.

18. Non-Authorized Use of Abutting Property. The substantial amount of City-owned property abutting the Property is not available for use by Lessee. Should Lessee utilize any part of this abutting property for any purpose, Lessor may, at its discretion, assess an additional charge for such unapproved use, equal to the greater of One Thousand Dollars (\$1,000) or Two Dollars (\$2) per square foot per month, times the duration of the encroachment. The assessment of such an additional charge shall not, however, authorize a continuation of the encroachment. Furthermore, if the duration of the encroachment cannot otherwise be determined, it shall be deemed to have begun three (3) months prior to its discovery by Lessor.

19. Nonwaiver. The failure of Lessor to insist upon the strict performance of any of the provisions of this Lease Agreement shall not be construed as a waiver or relinquishment of any such breach, or any other provision of this Lease Agreement, and the same shall remain in full force and effect.

20. Notices. Notice shall be sufficiently given according to the terms of this Lease Agreement when mailed via first class mail, postage prepaid, to the parties at the addresses set forth below, or at such other address as a party designates in writing:

City of Kodiak  
Post Office Box 1397  
Kodiak, AK 99615

Ocean Beauty Seafoods, Inc. ~~INC.~~ LLC  
1100 W. Ewing St.  
Seattle, WA 98107

ATTN: City Manager

ATTN: Tony Ross

21. Modification. No modification or amendment of this Lease Agreement shall be binding unless made in writing and signed by the parties.

22. Binding Effect. This Lease Agreement shall be binding upon the parties and their respective successors and assigns.

23. Severability. If a court of competent jurisdiction finds any provision of this Lease Agreement to be invalid or unenforceable as to any person or circumstance, such finding shall not render that provision invalid or unenforceable as to any other person(s) or circumstances. If feasible, any such offending provision shall be deemed to be modified to be within the limits of enforceability or validity; however, if the offending provision cannot be so modified, it shall be stricken and all other provisions of this Lease Agreement in all other respects shall remain valid and enforceable.

24. Entire Agreement. This Lease Agreement contains the entire agreement between the parties as of this date, and supersedes all prior written or oral agreements regarding this subject matter.

25. Governing Law. This Lease Agreement shall be governed and construed by the laws of the State of Alaska.

26. Attorneys' Fees and Costs. If either party commences an action against the other party arising out of or in connection with this Lease Agreement, the prevailing party shall be entitled to have and recover from the losing party its reasonable attorneys' fees and costs of suit.

27. Construction of Agreement. The rule of construction that an instrument shall be construed more strictly against the party who drafted the same shall not apply to this Lease Agreement since both parties have had legal counsel available or have had the opportunity to seek independent advice.

IN WITNESS WHEREOF, Lessor and Lessee have hereunto set their hands and seals, the day and year first above written.

LESSOR:  
CITY OF KODIAK

LESSEE:  
OCEAN BEAUTY SEAFOODS, ~~INC.~~ LLC

\_\_\_\_\_  
Name: Linda L. Freed  
Title: City Manager

\_\_\_\_\_  
Name:  
Title:

Attest:

\_\_\_\_\_  
Debra L. Marlar  
City Clerk



**CITY OF KODIAK  
ORDINANCE NUMBER 1294**

**AN ORDINANCE OF THE COUNCIL OF THE CITY OF KODIAK  
AUTHORIZING THE RENEWAL OF A LEASE BETWEEN THE CITY OF KODIAK  
AND OCEAN BEAUTY SEAFOODS, INC., FOR PROPERTY LOCATED IN GIBSON  
COVE**

WHEREAS, pursuant to Ordinance Number 1214, the City entered into a lease agreement ("Lease") with Ocean Beauty Seafoods, Inc. ("Ocean Beauty") of property described as Tract C-1, Alaska Tideland Survey 1408, Plat No. 92-41, and certain improvements located thereon ("Property") for a term of five years commencing November 1, 2006; and

WHEREAS, Section 1 of the Lease provides that Ocean Beauty has the option to renew the Lease for an additional five years at the discretion of the City; and

WHEREAS, it is in the best interest of the City to authorize a renewal of the Lease for an additional five years.

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Kodiak, Alaska, as follows:

**Section 1:** Notwithstanding anything to the contrary in Kodiak City Code Chapter 18.20, the Council of the City of Kodiak hereby authorizes the renewal of the Lease for an additional five years on the same terms and conditions as the original Lease. Nothing herein or in the Lease authorizes any subsequent renewal of the Lease.

**Section 2:** The Lease authorized by this ordinance is subject to the requirements of City Charter Section V-17. Therefore, if one or more referendum petitions with signatures are properly filed within one month after the passage and publication of this ordinance, this ordinance shall not go into effect until the petition or petitions are finally found to be illegal and/or insufficient, or, if any such petition is found legal and sufficient, until the ordinance is approved at an election by a majority of the qualified voters voting on the question. If no referendum petition with signatures is filed, this ordinance shall go into effect one month after its passage and publication.

CITY OF KODIAK



MAYOR

ATTEST:

  
CITY CLERK




First Reading: December 8, 2011  
Second Reading: January 12, 2012  
Effective Date: February 18, 2012

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## MEMORANDUM TO COUNCIL

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**To:** Mayor Branson and City Councilmembers  
**From:** Aimée Kniaziowski, City Manager   
**Date:** April 26, 2012

**Agenda Item:** V. c. **Resolution No. 2012–12, Supporting the Implementation of Lake Fertilization of Karluk, Frazer, and Spiridon Lakes by the Kodiak Regional Aquaculture Association as a Salmon Rehabilitation and Enhancement Method**

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**SUMMARY:** The Kodiak Regional Aquaculture Association (KRAA) has been leading an effort to obtain support to fertilize several Kodiak Island lakes to increase sockeye salmon production. This resolution, which is similar to the one the Kodiak Island Borough Assembly recently adopted, provides a clear statement of support for the project. The City-Borough fisheries workgroup discussed the project at their April 16, 2012, meeting and requested the City consider adopting a resolution because increased salmon production benefits the community and economy. Staff recommends Council adopt Resolution No. 2012–12.

**PREVIOUS COUNCIL ACTION:** April 17, 2012, Council received an update on the lake fertilization project at the joint work session of the City Council and Borough Assembly and discussion supported the intent of the City to adopt a resolution in support of the proposed project.

**BACKGROUND:** A number of Kodiak Archipelago lakes, which have historically been major sockeye salmon producers, are currently in a depressed state of production, which has had a very negative effect on Kodiak’s west side and south end salmon fisheries and a negative impact on the local economy.

Karluk, Frazer, and Spiridon lakes have been identified as having strong potential for substantially increased sockeye salmon production if lake fertilization projects are initiated. Kodiak Management Area salmon fishermen have, through the Kodiak Regional Aquaculture Association, committed funds to lake fertilization to restore these fisheries. Lake fertilization projects have contributed to sustainable fisheries and economic development that directly benefits Kodiak sport, subsistence, and commercial fishermen, seafood processors, and the Borough government which receives raw fish tax revenues.

**DISCUSSION:** A healthy and balanced economy is important to both the City and Borough governments. The City does not collect or receive local raw fish tax revenues, but relies on a healthy and balanced economy to provide community services and infrastructure that supports harvesters and processors.



The importance of this fertilization effort was discussed at the City-Borough fisheries workgroup on April 16. The Borough provided funding for the project and adopted a resolution of support in May. The workgroup agreed that a resolution from the City would be helpful, as well. The issue was also discussed at the Council-Assembly joint work session on April 17 in conjunction with the fisheries update. Staff explained that a City resolution in support of the project was scheduled for the April 26 meeting.

**ALTERNATIVES:**

1. Adopt Resolution No. 2012-12, which is the recommendation of staff through the City-Borough fisheries workgroup, because it provides additional support for KRAA's efforts to obtain funding and permission to begin this project.
2. Do not adopt Resolution No. 2012-12.

**FINANCIAL IMPLICATIONS:** None.

**LEGAL:** N/A

**STAFF RECOMMENDATION:** Staff, through the fisheries workgroup recommends Council adopt Resolution No. 2012-12.

**CITY MANAGER'S COMMENTS:** This project and the need for local government support for it has been discussed at the two most recent City-Borough fisheries workgroup meetings and the recent joint work session. The workgroup felt a statement of support from the City would be beneficial to KRAA's efforts to get funding and permission to begin this project. I support the workgroup's request and recommend Council adopt this resolution.

**ATTACHMENTS:**

Attachment A: Resolution No. 2012-12

Attachment B: KRAA lake fertilization information, April 2012

**PROPOSED MOTION:**

Move to adopt Resolution No. 2012-12.

**CITY OF KODIAK  
RESOLUTION NUMBER 2012-12**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK SUPPORTING THE IMPLEMENTATION OF LAKE FERTILIZATION OF KARLUK, FRAZER, AND SPIRIDON LAKES BY THE KODIAK REGIONAL AQUACULTURE ASSOCIATION AS A SALMON REHABILITATION AND ENHANCEMENT METHOD**

WHEREAS, the Kodiak Management Area salmon fishermen and the Kodiak community have benefited greatly from salmon enhancement and rehabilitation programs; and

WHEREAS, the Alaska Department of Fish and Game has a Lake Fertilization Policy built upon strong scientific research and intended to protect wild salmon populations and habitat; and

WHEREAS, there is a strong body of scientific literature recognizing lake fertilization as an effective method of improving sockeye salmon habitat and production; and

WHEREAS, lake fertilization has been successfully implemented by the Alaska Department of Fish and Game and the Kodiak Regional Aquaculture Association to rehabilitate and enhance sockeye salmon production of multiple Kodiak Archipelago Lakes in the past; and

WHEREAS, lake fertilization projects have contributed to sustainable fisheries and economic development that directly benefits Kodiak sport, subsistence, and commercial fishermen, seafood processors, and the local economy; and

WHEREAS, a number of Kodiak Archipelago lakes which have historically been major sockeye salmon producers are currently in a depressed state of production; and

WHEREAS, among those depressed systems, Karluk, Frazer, and Spiridon lakes have been identified as having strong potential for substantially increased sockeye salmon production if lake fertilization projects are initiated; and

WHEREAS, the depressed sockeye production of these lakes has a very negative effect on Kodiak's west side and south end salmon fisheries and negative impact on Kodiak's economy; and

WHEREAS, through the Kodiak Regional Aquaculture Association, Kodiak Management Area salmon fishermen have committed significant funding to lake fertilization to restore these fisheries; and

WHEREAS, the City supports fisheries development and fertilization of Karluk, Frazer, and Spiridon lakes; and

WHEREAS, local government support is a key factor in the State Legislature's consideration of support and potential funding for local projects.

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Kodiak, Alaska, supports lake fertilization as a salmon rehabilitation and enhancement method and supports the implementation of lake fertilization of Karluk, Frazer, and Spiridon lakes by the Kodiak Regional Aquaculture Association as soon as possible.

BE IT FURTHER RESOLVED that the Council of the City of Kodiak, Alaska supports the efforts of Kodiak Regional Aquaculture Association to obtain from the U.S. Department of Interior a NEPA waiver, categorical exclusion, or statutory exemption for the proposed projects, or otherwise facilitate an expedited review and permitting process, so that lake fertilization can be implemented as early as possible.

CITY OF KODIAK

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MAYOR

ATTEST:

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CITY CLERK

Adopted:

## Kodiak Regional Aquaculture Association

104 Center Avenue, Suite 205  
Kodiak, AK 99615

(907) 486-6555  
fax (907) 486-4105



The Honorable Mark Begich  
111 Russell Senate Office Building  
Washington, DC 20510

April 11, 2012

Dear Senator Begich,

There is a critical situation in Kodiak; since 2008, there's been a failure in the returns of Karluk Lake sockeye salmon, which will have continuing negative effects for many years. Action is required to restore the Karluk system. Karluk Lake is located on the southwest side of Kodiak, within lands included in the Kodiak National Wildlife Refuge. We ask your assistance to convey to the Department of the Interior, U.S. Fish and Wildlife Service, the need to immediately begin active rehabilitation of this crucially important salmon stock.

Historically, Karluk is one of the most productive salmon runs on Kodiak. Returns to Karluk affect management decisions and fishing opportunity for a much wider area. Declines in sockeye runs affect subsistence, commercial and recreational fishing. Lost fishing time and revenue have significant implications for the economy.

Kodiak Regional Aquaculture Association (KRAA) is working toward rehabilitation of Karluk. Analysis shows that nutrients in Karluk Lake are unlikely to support the numbers of juvenile salmon needed to restore the system. This lack of nutrients has wider repercussions to the ecosystem as a whole, and KRAA has worked with the Alaska Department of Fish & Game and the Kodiak National Wildlife Refuge to develop a proposal to restore nutrients and thus productivity to this system—a safe and effective strategy previously employed at Karluk Lake (1986-1990). In February, 2012, KRAA submitted to USFWS a proposal for the application of nutrients to Karluk Lake to restore productivity, increase juvenile salmon survival and, ultimately, bolster adult sockeye returns.

USFWS has formed a review team and has indicated they will first conduct a compatibility determination, prior to allowing a NEPA process (public scoping, Environmental Assessment, etc.). The *Revised Comprehensive Conservation Plan: Kodiak National Wildlife Refuge* (2008) was developed with close involvement and input from the public and the Alaska Department of Fish & Game. It includes provisions for fisheries enhancement, rehabilitation and restoration. In fact, Karluk Lake nutrient enrichment is cited as a prime example of fishery restoration projects that may be conducted on the Refuge.

At present, there are a number of salmon enhancement projects occurring on the Kodiak Refuge, and KRAA would like to implement enrichment projects at other lakes within Refuge boundaries. However, we are concerned that our current proposal may be viewed as an opportunity to amend and restrict the provisions for salmon rehabilitation and enhancement in the Refuge's Comprehensive Conservation Plan.

KRAA seeks an affirmation of the compatibility of salmon enhancement and rehabilitation projects on the Kodiak National Wildlife Refuge, an expedited NEPA process and the Special Use Permits required to carry out salmon enhancement and rehabilitation. We ask your support of rehabilitation of Karluk sockeye and the KRAA Karluk Lake Nutrient Enrichment proposal.

We will be happy to supply you with the complete proposal to the KNWR/USFWS and an economic impact report. These documents can also be found on our website: <http://www.kraakodiak.org>.

Thank you for your time and support,

Kevin Brennan,  
Executive Director



## **Karluk Lake Nutrient Enrichment**

Sockeye salmon returns to Karluk Lake, on the west side of Kodiak Island, have failed since 2008, and future runs are projected to be poor through at least 2017. This has a serious impact on the communities and fisheries, and is likely to persist unless action is taken to restore Karluk sockeye run strength. The Kodiak Regional Aquaculture Association (KRAA) proposes rehabilitation of Karluk Lake by adding essential nutrients to improve the habitat, thereby increasing Karluk sockeye growth and survival.

### **Introduction**

Karluk Lake, located within the Kodiak National Wildlife Refuge (USFWS), has historically been the largest producer of salmon on Kodiak Island. Fisheries along much of the west side of Kodiak are managed based on annual Karluk salmon runs and fishery closures to protect Karluk sockeye have reduced harvest of all salmon. The 2011 salmon harvest was down 83% from 1987-2007 averages (a period of good Karluk sockeye production) in Karluk-affected fishing areas. The 2011 Karluk sockeye salmon harvest was down 93% from the 1987-2007 average.

If harvest volumes returned to the 1987-2007 average at today's prices, it is estimated that salmon fisheries in Karluk-affected areas would generate 1,088 jobs and \$145.6 million in the US economy. These jobs and income are in jeopardy because of weak Karluk sockeye runs.

Due to 2008-2011 weak Karluk sockeye runs, fishing restrictions and reduced salmon harvest volume (from 1987-2007 baseline harvest) result in a cumulative loss of \$53 million to Kodiak commercial fishermen (\$13.3 million annually; ex-vessel earnings) and \$85 million to the Kodiak processing industry (\$21.3 million annually; first wholesale value less payments to fishermen). It is estimated that 255 jobs have been lost or forgone in Kodiak, due to weak Karluk sockeye runs.

### **Background**

It is important to understand a little of the life history and survival strategies of sockeye salmon. Typically juvenile sockeye salmon will hatch and rear in a freshwater lake for as many as 3 years before going to the ocean. The survival of those juvenile fish is highly dependent on their freshwater environment. Juvenile sockeye in freshwater prey upon small invertebrates called zooplankton. Zooplankton, in turn, feed on phytoplankton, or algae. Phytoplankton are plants, dependent on nutrients and sunlight for optimal production. Nutrients are supplied to the freshwater environment by the decomposing carcasses of returning adult salmon and by run-off from the surrounding watershed. If this food web is disrupted, it can affect juvenile sockeye salmon survival with disastrous results.

Nitrogen and phosphorous, in adequate concentrations, are critical to the support of food webs within these lakes. When lakes experience lower than normal nutrient levels, growth of algae (phytoplankton) can be limited. In turn, zooplankton and then juvenile salmon do not have adequate food to attain healthy growth and promote survival in the lake or, subsequently, in the marine environment.

In the Karluk system, the reduction in adult sockeye salmon production since 2008 followed several years of reduced zooplankton biomass as well as reduced nutrient levels in Karluk Lake. These negative trends in system productivity followed several years of high escapement of adult sockeye salmon to the Karluk system, in excess of intended escapement goals, between 1999 and 2003.

The data suggests that these overescapements resulted in high densities of juvenile sockeye salmon rearing in Karluk Lake, which then exerted elevated grazing pressure on zooplankton populations in the lake. The food web was severely disrupted. Overgrazing and competition for available food resources likely resulted in reduced food supply, poor growth, and poor survival of juvenile sockeye salmon. The outcome of these conditions may have led to the reduced numbers of adult sockeye salmon returning to

Karluk Lake beginning in 2008. Recent, repeated years of depressed Karluk sockeye runs and chronic underescapement have now diminished the flow of marine-derived nutrients into Karluk Lake. When runs fail, so does a lake's ability to produce large numbers of juvenile sockeye salmon.

### **Nutrient Enrichment**

Karluk Lake is currently in a state of reduced productivity. It is unlikely that the system will return to previous, naturally high levels of productivity without intervention. KRAA has partnered with Dr. Dana Schmidt, former principal limnologist for the Alaska Department of Fish and Game (ADF&G), to assess the nutrient status of Kodiak area lakes and determine their suitability for nutrient enrichment. Karluk Lake was identified as likely to respond to a program of nutrient enrichment. It is proposed that essential nutrients (phosphorus and nitrogen) be added to Karluk Lake for a period of five to eight years in order to promote phytoplankton growth and availability to zooplankton, which then would improve the food base for juvenile sockeye salmon. Increased growth and survival of juvenile sockeye salmon in the lake would help promote higher marine survival and elevate returns of adult sockeye salmon to Karluk Lake.

Higher sockeye returns benefit subsistence, sport and commercial harvesters while also providing for higher and sustainable escapement of sockeye salmon into Karluk Lake. This would reestablish the input of historic levels of marine-derived nutrients, via salmon carcasses, to the lake rearing environment.

Nutrient enrichment is not a new strategy for Karluk Lake, or for 26 other lakes in the State of Alaska. Karluk Lake was enriched from 1986-1990 by ADF&G, with support from USFWS and KRAA. The current proposed approach is modeled after existing nutrient enrichment projects in Alaska and Canada and supported by more than 30 years of research in this field. These controlled additions of nitrogen and phosphorous, coupled with an adaptive management strategy, offer a safe and proven method of rehabilitation for Karluk Lake.

### **Project Status**

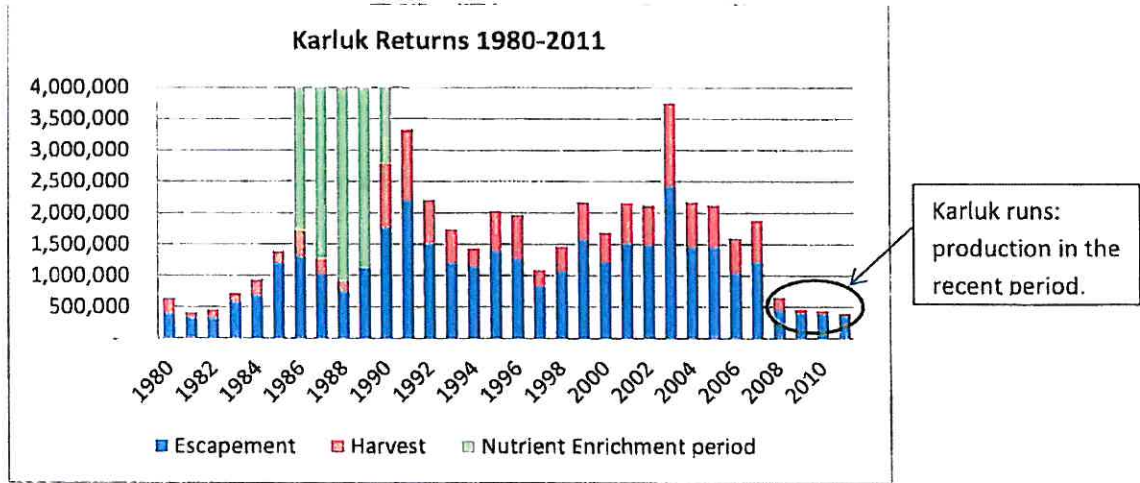
Currently, sockeye salmon runs and escapement, lake nutrient concentrations, and primary productivity are at or near all-time lows identified in the 130-year historic record, and inferred in the 2,200 year paleolimnological record.

In contrast to the 1980s, when ADF&G employed a number of limnologists and actively participated in enhancement and rehabilitation projects, at present the lack of familiarity with current enrichment strategies and techniques has made it incumbent on KRAA to re-educate the agencies involved about the merits, safety, and need for this project. KRAA has worked extensively with ADF&G to provide a comprehensive proposal to inform and educate readers unfamiliar with the principles of nutrient enrichment. Subsequent to significant expansion of the proposal and extensive review by ADF&G, KRAA submitted the proposal to the USFWS in February of this year.

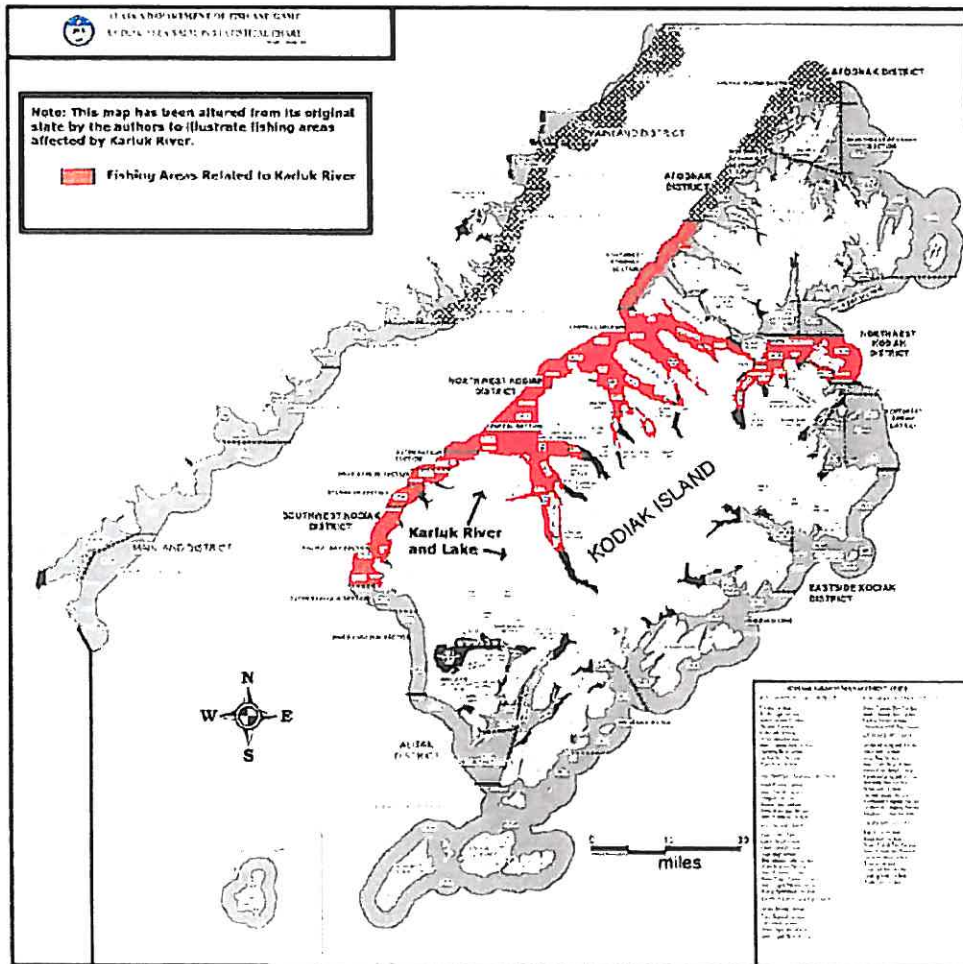
KRAA has sought to initiate nutrient enrichment in both 2011 and, now, 2012. Each year that this project is delayed is another year before fishermen in Kodiak can begin to realize its benefit. Nutrient enrichment is not a "quick fix." It is a conservative, scientific approach to restoring the productive capacity of Karluk Lake. Benefits realized by juvenile sockeye salmon in the first and second years of nutrient enrichment will not translate to subsistence, commercial and sport fisheries until adult sockeye salmon return two, three and four years later. Therefore, it is imperative that KRAA receive approval to re-start the nutrient enrichment and rehabilitation of Karluk Lake at the first possible opportunity.

The *Revised Comprehensive Conservation Plan: Kodiak National Wildlife Refuge* (2008) specifically states that fisheries restoration and enhancement projects are allowed on the Refuge. In fact, the former enrichment project at Karluk is given as a prime example of fishery restoration projects that may be permitted on the Refuge. It is KRAA's hope that the USFWS will join us in solving the critical problem with Karluk Lake productivity. KRAA seeks an affirmation of the compatibility of nutrient enrichment at Karluk Lake, and other salmon enhancement and rehabilitation projects on the Refuge.





### Kodiak Salmon fishing Areas Affected by Karluk Sockeye Returns



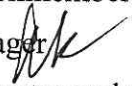
Source: ADFG Map, altered by McDowell Group.

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## MEMORANDUM TO COUNCIL

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**To:** Mayor Branson and City Councilmembers

**From:** Aimée Kniaziowski, City Manager 

**Thru:** Mark Kozak, Public Works Director and Glenn Melvin PE, City Engineer

**Date:** April 26, 2012

**Agenda Item:** V.d. **Authorization of Emergency Replacement of Water Main on Rezanof Drive, Project No. 7032/12-06**

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**SUMMARY:** On the morning of April 5, 2012, the water main on Rezanof Drive broke at the intersection of the Near Island Bridge. This main is roughly 3.5 feet deep and froze this past winter. The failure was a linear crack on the underside of the main from having been frozen and broken, caused by expanding ice. The section of frozen pipe is slightly over 800 feet long and is asbestos cement (AC) pipe that has become fragile due to age. The Alaska Department of Transportation (ADOT) is repaving this section of Rezanof Drive this summer so it is critical that this line be replaced before the new pavement is installed. Due to the critical timing and urgency of this unplanned work, staff recommends Council authorize the emergency replacement of the water main and authorize the emergency work to Pruhs/Brechan (ADOT/Rezanof Drive resurfacing contractors) per Kodiak City Code (KCC) section 3.12.070(b), Exceptions to Bidding Requirements. Pruhs/Brechan has provided a cost estimate in the amount of \$366,100.

**DISCUSSION:** This section of water main was installed in 1965 according to the only reference the Public Works Director could find. The line runs along Rezanof and is extremely shallow from Carolyn Street to the 12<sup>th</sup> Street intersection (an average depth of 3.5 feet). The line is asbestos cement and is well beyond its expected life span of 30 years.

This section froze on January 31, 2012, even though the two residences serviced by the line kept their water running. City crews were able to dig the water main up and use hot water to thaw the valve and main line so both homes could get water.

On April 5, 2012, Public Works crews responded to the call that this water main broke at the intersection of the Near Island Bridge and Rezanof. Crews dug up the main line, repaired it, and removed a section of pipe roughly 8-feet long (Attachment A, photo of damaged pipe). This section had a linear crack along the bottom of the main. When the crew cut the pipe at the upper end of the leak, they saw that the pipe was still frozen solid due to extended periods of cold weather and the shallow depth of the pipe.

Rezanof Drive is being repaved this summer, which requires the City to make the unplanned repair before ADOT begins their work. The City didn't budget for the replacement of this section of water line

but must repair it so as not to impact the state work on this street.

Staff researched options for the type of repair that could be made on short notice at a reasonable cost. Two options were considered: slip lining, and conventional pipe replacement. Staff believes the best option is to replace the pipe with new ductile iron pipe, because the cost is reasonable, the repair can be done prior to the ADOT project with no project impact, it has less risk because it is “conventional construction” that we are familiar with, and because the ADOT contract partner to Pruhs is Brechan Construction who has a long history of successful projects with the City and is committed to getting this work done.

Staff researched the best way to cover the cost of this unexpected repair and recommends that Council authorize the reallocation of \$450,000 in funds from the existing Pillar Creek Dam Spillway Project, Project No. 7033, to this new emergency replacement of the water main on Rezanof. Staff also recommends Council authorize the emergency repair work to be done by Pruhs/Brechan for the quoted price of \$366,100. This non-bid award is allowed under KCC 3.12.070(b), which means the City can issue an award for a contract in emergency circumstances without the time and expense to issue a bid for the work.

**ALTERNATIVES:**

1. Authorize the emergency replacement of the water main on Rezanof Drive and the award of a contract to Pruhs/Brechan which is staff’s recommendation because of its emergency nature and because repairs must be done before ADOT begins work on this stretch of road.
2. Do not authorize the emergency repair contract to Pruhs/Brechan as identified in this memo, which is not recommended because the asbestos cement water main is compromised due to freezing and must be replaced before the state paving project begins.

**FINANCIAL IMPLICATIONS:** Because this project was not planned, it was not budgeted. Staff recommends \$450,000 in funds remaining in the Pillar Creek Dam Spillway Repair project, Project No. 7033 be moved into a new project, Emergency Replacement of Water Main on Rezanof Drive Project No. 7032/12-06 to cover the emergency project.

**LEGAL:** KCC 3.12.070(b) allows the City to issue a contract for services necessitated by an emergency if the delays required to meet bidding requirements would jeopardize public health, safety, or welfare. This case fits the exception to normal bidding requirements.

**STAFF RECOMMENDATION:** The timing of this project is urgent in order to complete work before ADOT begins work on their paving project in order to reduce potential delays to their project schedule. Therefore, staff recommends that Council authorize the award of a contract for the emergency replacement of a section of water main on Rezanof Drive to Pruhs/Brechan in the amount of \$366,100 with funds coming from Water Capital Improvement Fund new project number 7032/12-06. Staff also

recommends that Council authorize the reallocation of \$450,000 in funds from the Pillar Creek Dam Spillway Repair project, Project No. 7033, to the newly created project, Emergency Replacement of Water Main on Rezanof, Project No. 7032/12-06 to cover the costs and contingencies for this project.

**CITY MANAGER'S COMMENTS:** We have experienced an exceptionally cold winter without the benefit of snow cover to insulate the ground and the utilities beneath the streets and roads. This section of water main simply couldn't hold up to the winter weather extremes because of the older asbestos cement material of the line and its bury depth of only 3.5 feet. We need to replace the line so we don't interfere with the state paving job on Rezanof this summer. Staff worked hard to find the most cost effective and timely repair. Based on this, I recommend that Council authorize the transfer of funds from the Pillar Creek Dam project to fund the replacement and to authorize the award of the emergency repair contract to Pruhs/Brechan.

**ATTACHMENTS**

Attachment A: Photo of AC pipe removed from water main repair on Rezanof

Attachment B: Pruhs/Brechan price quote

**PROPOSED MOTION:**

Move to authorize the transfer of \$450,000 from the Pillar Creek Dam Spillway Repair project, Project No. 7033, to the newly created project, Emergency Replacement of Water Main on Rezanof, Project No. 7032/12-06; and authorize the award of a contract to Pruhs/Brechan in the amount of \$366,100, with funds coming from Water Capital Improvement Fund new project number 7032/12-06.



ATTACHMENT: A

04.05.2012



04/17/2012  
2012-11  
\*\*\* Tim Schwanke

15:40  
WATERLINE ON REZANOF

**ATTACHMENT: B**

**BID TOTALS**

<u>Biditem</u>	<u>Description</u>	<u>Quantity</u>	<u>Units</u>	<u>Unit Price</u>	<u>Bid Total</u>
200	DEMO CURB	800.000	LF	4.00	3,200.00
205	ABANDON WATERLINE IN PLACE	800.000	LF	4.00	3,200.00
210	DEMO AC	900.000	SY	7.00	6,300.00
215	DEMO MISC	1.000	LS	2,000.00	2,000.00
240	INSTALL 8" DIP CLASS 52	800.000	LF	105.00	84,000.00
245	INSTALL 6" HYDRANT	1.000	EA	5,000.00	5,000.00
260	TRENCH EX & BACKFILL	800.000	LF	110.00	88,000.00
265	FURN CLASSIFIED BACKFILL	1,000.000	TN	13.00	13,000.00
270	R&R CATCHBASIN	2.000	EA	4,000.00	8,000.00
275	BOARD INSULATION 4" BY 24" WIDE	500.000	SF	5.00	2,500.00
300	INSTALL D1	200.000	TN	40.00	8,000.00
305	INSTALL CURB	800.000	LF	56.00	44,800.00
310	INSTALL AC	200.000	TN	275.00	55,000.00
315	REBUILD PATH WITH RECYCLED RAP	800.000	LF	7.00	5,600.00
400	MOBE	1.000	LS	7,500.00	7,500.00
405	SURVEY	1.000	LS	6,500.00	6,500.00
410	TRAFFIC CONTROL	1.000	LS	5,000.00	5,000.00
415	SWPPP CONTROL	1.000	LS	5,000.00	5,000.00
420	PER DIEM	1.000	LS	10,000.00	10,000.00
425	BONDING AND INSURANCE	1.000	LS	3,500.00	3,500.00

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Bid Total =====> \$366,100.00

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